THE MAGAZINE OF WALL STREET

OCTOBER 29, 1932

TWENTY-FIFTH ANNIVERSARY NUMBER

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What's Ahead for the Market?

By A. T. MILLER

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Investment Trusts Under the Microscope

By CARL WILLIAMS

C. G. Wyckoff
PUBLISHER

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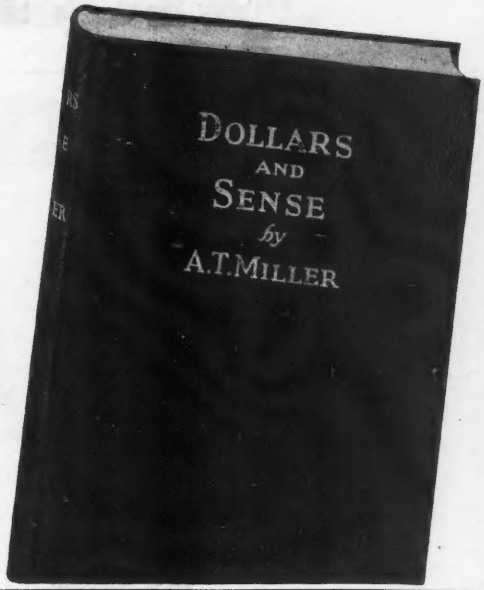

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To the Next Twenty-Five Years of Service

THIS issue of The Magazine of Wall Street marks the beginning of a second quarter-century of its service.

For twenty-five years it has been the purpose of this publication to render thoughtful counsel and to interpret the trend of events in world affairs, finance, economics and business for the benefit of investors and business men both large and small. It has been a fascinating job. Moreover it has been our lot to perform this service under greatly varying conditions. By coincidence this 25th Anniversary comes at a time when economic conditions in many respects resemble those which prevailed when this Magazine was born—1907—the year of the money panic. The depression and hardship was as heavy to bear then as the difficult time through which we are going today. Since that time we have known the financial panic of 1914 at the outbreak of the World War; the ensuing boom; the commodity crash of 1920 and the resulting panic; and finally the greatest boom of all time from 1925 to 1929.

It is difficult to imagine a period of twenty-five years in which more extreme conditions in prosperity and adversity, in exuberant optimism and despair have so rapidly succeeded each other. We have lived very fast and the swift changes in the economic life of the past decade bring us to the threshold of another new and interesting age. The next twenty-five years will produce the greatest changes in the status of man since the history of the world. We can only go forward—never backward. The adventure of life grows more interesting and will undoubtedly be productive of more real good for human beings than anything we have yet known.

We, who see our job as a very human one fundamentally, to whom facts and figures are merely a basis for calculation, to whom economic fluctuations mean the ebb and flow of human activities—are looking forward to our next twenty-five years of service with keen anticipation. We have been so anxious and eager to get at the truth, to see things as they are, that we believe we enter this new period better prepared than ever to serve our many thousands of friends who have been our inspiration to conceive,—to work,— and carry through.

We are keenly aware of the responsibility and obligations which are ours. We recognize the vast potentialities of the years before us and pledge ourselves anew to as full measure of service as is in our power to give.

C G Wyckoff
PUBLISHER

IN 1931-32, GENERAL MILLS ESTABLISH TWO SUCCESSFUL NEW FOOD PRODUCTS

Added To Its Famous Gold Medal Flour of "Eventually, Why Not Now?" Fame

TO MILLIONS OF HOUSEWIVES THE WORLD OVER, THE MEANING OF FLOUR
"Eventually, Why Not Now?", Gold Medal

Sensational Merchandising Quickly Proves Worth of America's Newest Grocery Items

MILLIONS of people, in some 90 different nations or territories, instantly think of "Eventually, Why Not Now?"—Gold Medal, when they think of flour. Product of General Mills, Inc., world's leading flour millers, for generations this famous brand has been known wherever flour is sold.

Now, in 1931-1932, General Mills has established two remarkable new food products which have been added to famous Gold Medal and 28 other leading flour brands. Introduced to American housewives at a time when success would ordinarily be least expected, Wheaties and Bisquick are both selling at the rate of thousands of packages a day.

Backed by sensational, nationwide advertising campaigns, they have overnight become by-words in homes all over the country.

WHEATIES—*Tens of millions of packages sold in past twelve months show Wheaties rapidly becoming one of America's most popular cereals.*

BISQUICK—*Scientists' most thrilling food invention, Bisquick, overnight wins approval of American housewives—millions of packages bought in last ten months*

Already Young America's Favorite Cereal

First marketed on a large scale in 1930, Wheaties have already attained a secure position in one of our most competitive fields—breakfast cereals. For tens of millions of packages have been sold in the past twelve months.

Dramatized on the radio by Percy Crosby's immortal "Skippy," these ready-to-serve whole wheat flakes are now young America's favorite cereal. And with their pure deliciousness, have won adult tastes as well.

Then Came Bisquick!

Bisquick was soon to follow Wheaties! And this time, success was even more startling. Born in 1932, and given a whirlwind start by shrewd merchandising experts, many million packages of Bisquick have been sold in the first ten months of its existence.

Quick to see the certain advantage of being guaranteed perfect biscuits every time they baked, American housewives have given Bisquick a permanent location on their pantry shelves.

So—history once more repeats itself. Already including such distinguished names as Gold Medal Flour of "Eventually, Why Not Now?" fame, and Gold Medal Softasilk Cake Flour, General Mills has now added Wheaties and Bisquick to this famous family of most asked for brands. With early sales records that would be sensational for far older products, both are destined to take a place among the leaders in the food industry.

1181-R

GENERAL MILLS, INC.

Minneapolis, Minnesota

A nation-wide milling organization operating 21 flour, feed, and cereal mills with 87,000 barrels daily capacity

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

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Associate Editor

The Trend of Events

—Do We Need More Money?
—Municipal Extravagance Must Go
—The Forgotten Commodities
—World Tariff Puzzle
—Capital Revision
—The Market Prospect

DO WE NEED MORE MONEY? UNTIL this depression is cured or cures itself there will apparently be no end to the recurrent agitation for inflation. In recent speeches as prominent an office-holder as Senator Borah has argued strongly for what the inflationists call an "honest dollar"—a dollar with the purchasing power and debt-paying power of the pre-depression dollar. What is actually desired, of course, is a general rise in commodity prices. In theory there are two ways advanced for bringing such a rise about. A considerable element of our representatives in Congress is imbued with the idea that our troubles are due to a shortage of money. Hence, what could be more simple than for the Government to issue some more currency?

Yet the dangers of such a program of currency inflation are readily apparent. We have seen the terrific consequences of monetary inflation in Germany and Russia in recent years. Even today the effects of England's defection from the gold standard and the inflation which that step produced are before us. Prices in Great Britain have outrun salary and wage adjustments, and in the rising cost of living we have the real cause of present unemployment riots. This is inevitably so. The objective of inflation, i. e., a rising commodity level, is bound to be defeated by the inequalities in the resulting price rise and by unavoidable maladjustments in the compensation for labor. In degree, this is as true of moderate or so-called controlled inflation as in the unlimited printing press operations which sank Germany in an economic abyss. Moreover, while present proponents of inflation have limited their plans to definite amounts of from two to five billion dollars—who can say that the movement once started could be stopped there?

Already the supply of our currency is actually much larger than it was in 1929. We have in addition liberalized our money base by changes in the Federal Reserve Act and increased bank note currency. We have made strenuous efforts to increase the supply of that portion of our money that is far more widely used than actual currency, that is, bank money or bank credit. Have we not gone far enough, if not too far, for common safety? Any further money tinkering would dangerously threaten public confidence. Indeed, the most immediate effect probably would be a renewal of banking liquidation, a further shrinkage in bank money and, hence, an aggregate money contraction greater than ever.

MUNICIPAL EXTRAVAGANCE MUST GO

BITTER necessity has long since forced the public to trim its spending into line with drastically reduced income. Being under no such imminent economic compulsion, thanks to the taxing power, politicians have embraced retrenchment with stubborn reluctance. The merest start has been made. Unfortunately, the evidence of the last year appears to suggest that intrenched bureaucracy is to a remarkable degree immune to public opinion, and nowhere is its disregard for imperatively needed economy more apparent than in municipal government. On the whole our large cities have far outrun the Federal Government in waste and extravagance. Where reform is in progress, the uninspiring fact seems to be that it is the result of sheer and acute financial necessity, rather than the pressure of public will. Various municipalities have cut their budgets only upon running into that blank wall which marks the end of borrowing power. Recent reduction of the budget of New York City is an automatic correction of this kind, leading banks having flatly refused to extend further credit. The ultimate task, however, can be left neither to politicians nor bankers. If representative government is to be justified, the job of house-cleaning is up to the voters, who must throw off their inertia and act.

THE FORGOTTEN COMMODITIES

IT is a curious fact that wheat and cotton monopolize the spotlight in most discussion of the farmer's plight. The chief reason is that both commodities have active, speculative markets. They figure prominently in the news. When our politicians talk of farm relief it is almost invariably in terms of wheat and cotton. And it is in these two markets that the major "stabilization" efforts of the Federal Farm Board have been concentrated—with disastrous result. If a city dweller could temporarily put out of mind these two overly-publicized crops and take a panoramic look at the whole structure of agricultural purchasing power he would probably be greatly surprised at what he found. Even at the prices of 1930, the latest year for which comprehensive official figures are available, the wheat crop's money value was only 393 millions and constituted only 5 per cent of our agricultural income. Cotton's value in the same year was 748 millions and represented 9.5 per cent of agricultural income. The two together were exceeded by milk, with a value of 1,422 millions, or 18.1 of farm income; and by hogs, with a value of 1,126 millions, or 14.3 of farm income. The value of cattle in 1930 was more than twice that of wheat and substantially larger than that of cotton. The lowly chicken, together with its yield of eggs, turns in almost as many dollars as cotton and nearly twice the income from wheat. Truck crops, potatoes and tobacco, combined, are worth more than cotton. In the main these unheralded providers of farm income have been left to work out their own price destiny, without governmental interference. Is it coincidence that on the average they have fared much better than wheat or cotton? Apparently, the farmer does better with commodities which are let alone than with those which are paternally stabilized by government efforts.

WORLD TARIFF PUZZLE

THE effects of the recent Ottawa Conference are now making themselves felt in enlivening the tariff battle throughout the world. Canadian tariff walls have been adjusted to give preference to trade with the United Kingdom and at the same time the United Kingdom will favor the products of Canada. Among the countries adversely affected are the United States and Russia. The Canadian market for various of our products is curtailed. As part of her bargain, Britain has renounced her former trade agreement with Russia. Coincidently, in an interlude of acute quota warfare with Italy, Germany announces to the world that she can pay her debts only in goods and that tariff walls must come down. This is the cry throughout the world. No nation is willing to lower its own barriers but expects others to do so—preferably the United States which, according to international wish should drop all tariffs and open its markets to world dumping.

CAPITAL REVISION

SCARCELY a week passes without bringing announcement of a plan of "capital revision" by one company or another. This is the natural aftermath of the boom era of expanded capital structures. In the main it is an adjustment of bookkeeping by which stated balance sheet valuations are reduced to conform to the actualities now existing. Many are made legally necessary by purely technical provisions of corporate charters. In a majority of cases the writing down of asset items involves adjustment in the stated value of a corporation's stock. Such changes do not alter the actual equity of the shareholder unless dishonest management utilizes trickery in order to pay dividends out of surplus. Fortunately, such instances are rare. Yet in its very nature a formal admission of past error is hard to make, with the result that announcements of capitalization changes are all too frequently set forth in language not at all clear to the average stockholder. Even where the plan is sound and honest, it would be desirable for corporate management to explain it in frank and simple terms to the owners of the business.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 10. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, October 24, 1932.

As I See It — *By Charles Benedict*

Let's Do the Next Thing Next

IT is only those who have been disillusioned by life's experiences and realize that nothing really matters, who can meet a situation like the present with equanimity. So far too many have been overwhelmed by their own difficulties, by disaster around them, by the faintness of the light which points the way out. It is only by being obliged to fight against odds that we are able to clear the way. At a time like this one's mind cannot be filled with the recollection of suffering experienced or even of the pain of the present; but with what to do now. To look back, to worry about the present, means defeat. To look ahead, and to act now for the immediate future—means progress. We can clean up the debris when the fight is won.

Today progress is being restrained because we are still living in the past. Every remedy applied is for the purpose of preserving or recalling those phases of the recent boom which are as obviously unsuited to the present as anything can possibly be. Very few really fundamental measures are being publicly applied at present because conflicting interests—political, industrial, financial—are determined to hang on to the old status. So we pile debt on debt. Our surpluses grow overwhelmingly. Labor languishes and suffers. The shackles of fear hold us bewildered and inert—waiting for what? For some fortuitous stroke of fortune to magically sweep away adversity and usher in prosperity? That is vain hope. The progress of the world has never been marked by such miracles but rather by courageous conquest of its difficulties no matter how long the conflict has been. That which has always been demanded before is essential now—action—aggressive attack on the problems at hand—personal initiative. Nothing else can effectively rout the forces of depression.

Nesmith Photo

Too long have we waited for mass action under government leadership. We grow soft seeking recovery by legislative action or political panaceas. Prosperity has never originated in Washington and will not at this time, under any regime. It is born of the aggregate effect of millions of single efforts. Let each individual, each business, plan to meet its own problems under conditions as they *are*, not as we hope they will be.

What little progress has been made thus far is mainly due to personal initiative by those who have been working to effect a reconciliation to current conditions—by individuals in organizations who have placed their affairs in order—have adjusted their living to lessened income—and have accepted, without regrets, the simpler life and calmer tempo of pre-boom times.

The underbrush is being cleared away. Let us fight our way out into the light! The time has arrived when men can approach their affairs with confidence of progress. Reason and common sense are once more returning.

It is now that we must lay the foundation of a better existence one brick at a time and forsake the idea of accomplishing the tasks of our own and succeeding generations at one fell swoop. Those who come after us will have their own ideas of meeting the problems of their day. We cannot hope to solve them. We will have done our part if we build wisely today and pass on our institutions without further encumbrances of indebtedness but refined by the fires of adversity with which we are currently struggling.

Let's look ahead—and do the next thing next!

Political Uncertainties Give Evidence of Continuing After Election

In Discounting This Prospect, Price Trend May Provide Opportunity for Long Term Commitments in Coming Weeks

What's Ahead of the Market?

By A. T. Miller

THE approach of the national election finds the stock market without conclusive trend, public interest in speculation at low ebb and professional traders engaged in desultory experimentation as to a line of lease resistance which at this writing evidently is subject to quick and unannounced changes within a fairly narrow trading range.

Only to those optimists who must trade every day is such a market of interest. It certainly throws little light upon the underlying position and still less upon the longer prospect with which investors are most concerned. Moreover, perhaps contrary to a widely held assumption, there is scant reason to believe that the election will mark a significant turning point or that it will substantially reduce the number of major uncertainties confronting the market.

The Surprise Element

It is seldom that a long-anticipated event, merely in itself, vitally changes the market trend. The election, of course, may possibly produce a surprise, but speculation concerns itself with probabilities, rather than possibilities; and as this article is written the *probability* generally accepted in Wall Street is that the election will result in a Democratic victory.

If that is the case, it is difficult to see any logical basis for startling market repercussions. Not only has the conviction grown that both candidates are inherently conservative, but those who, rightly or wrongly, believe that the result is of economic importance have had ample time to adjust their opinions and investment operations accordingly. That they have done so in considerable measure is indicated by a current market level well under the September high.

Hence, there is scant reason to expect that the election will mark a magic turn in our affairs. It will remove an uncertainty which is now contributing to market inaction and indecision, but its passing is very likely to find us turning to other major uncertainties, some of which are of vastly more economic importance than the question of who is to occupy the White House.

After the election, the next landmark on the political road is the re-assembling of the present Congress in December. With so short a space of time intervening it can be confidently predicted that public attention—and certainly security market attention—will probably turn in the near future to prospective Congressional developments.

Several such developments will undoubtedly be of great investment significance. Looming above all is the problem of a Federal Treasury deficit which is currently running at the rate of 1,600 millions for the fiscal year. One may confidently feel that in relation to the resources of the country the cumulative Federal deficit to date in this depression is by no means disastrous, yet it is obvious that it can not be permitted to run on much further without *becoming* disastrous. The size of the deficit has been brought to wider public attention in the campaign. Barring an early and dynamic business revival, it will no longer be possible to temporize and compromise on this problem without serious threat to the present improved level of credit confidence.

The only courses open to Congress and the Administration are retrenchment and higher taxes. Considering the large proportion of fixed and irreducible expenditures, the most optimistic citizen could not at the outside hope for economies totaling more than 1 billion dollars. Since this would not cover the deficit now indicated, it is apparent that we must look for either larger or additional tax impositions.

Any expansion of Federal taxation of the proportions necessary will add to the burdens of business, and aside from the ultimate result the immediate effect of the necessarily protracted process of tax revision is to prolong business and financial uncertainties. It is not a matter on which instant and smooth cooperation between the present Administration and Congress is probable.

Congressional Problems

There is a widespread hope that prompt modification of the Volstead Act and the resultant taxation of beer and light wines will contribute toward balancing the budget. It would be dangerous for the country to rely heavily upon this, for no one knows what the actual revenue would be, nor when it would begin to flow into the Treasury in major amount. The general sales tax will undoubtedly come up for consideration and apparently has a better chance of being adopted than was the case last summer. Yet opinion is far from unanimous on this tax, and its opponents would be less than human if they failed to make counter-attack by a demand to "soak the rich" still further in income taxation.

In short, the whole question of the Government's finances—deficit, taxation, possible additional borrowing from banks which already hold half of the Federal debt of 20 billions of dollars—is in the air and will not be quickly clarified. Let no one think the problem is out of place in a stock market discussion. Its existence is one of the chief causes of the extreme caution shown by the banks in extending credit, a caution much resented by Washing-

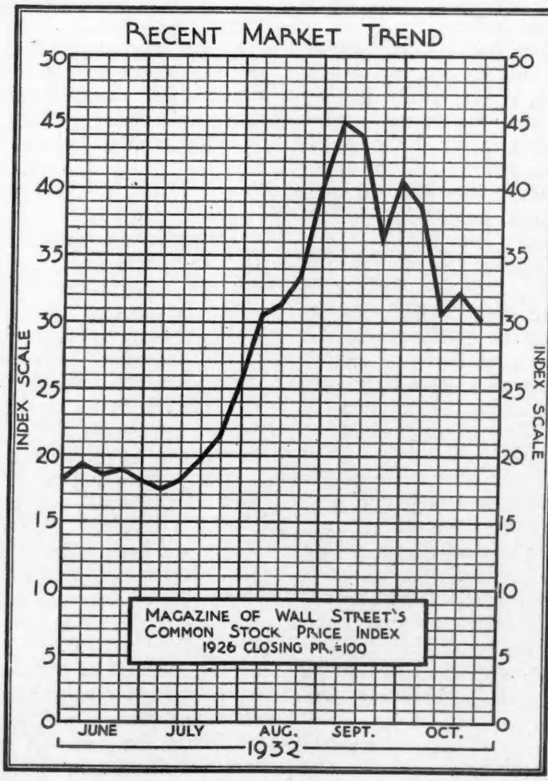
ton but one that will not be relaxed until the reasons for it are removed. As long as commercial banking policy is timid, business and the markets also are likely to be timid.

Dangerous Nostrums

These known problems, however, are not the only ones that we can expect Congress to deal with. There is a general uncertainty, of retarding business influence, in a variety of legislative nostrums already under advance agitation. As prominent a politician as Senator Borah has already publicly advanced the ill-informed plea that what the country needs is more currency. Others in Congress likewise lean to the seductive and always dangerous lure of monetary inflation. They are not likely to remain silent in December. The usual campaign for farm relief nostrums of one kind and another—this time with special reference to having the Federal Government put its shoulder under the farm mortgage burden—is also taking shape.

As was the case at the last session of Congress, the ultimate danger of adoption of unsound legislation is perhaps not great, thanks to the President's veto power, but, also as was shown last summer, the mere consideration of radical proposals is an important, if temporary, deterrent to business and investment initiative.

Moreover, such gratification as is merited by the gradual and moderate business improvement exhibited in recent weeks must necessarily be modified shortly by the usual prospect of seasonal recession in most lines of industry toward the year-end. Interest will turn from the question of how high the seasonal autumn advance will carry to that of how serious will be the following reaction.



Actually, there is considerable reason to view this prospect with optimism. Regardless of the inevitable slowness of economic revival, both our general financial position and business itself gives reasonably convincing evidence that the low point of the depression was put behind us last summer. If this is the case, intermediate reaction—such as is certain to occur in any economic movement—may well reveal reassuringly resistant qualities in our present position.

In any event, however, the fourth quarter of the year will prove an interesting and significant test of that position, as it has throughout the course of the depression. Whatever one's hopes, it would appear the part of prudence to defer commitments until at least a partial answer to this test is available.

It would be fruitless to attempt to prophesy the possibilities of reaction in the stock market. Considering the uncertainties present in business and politics, the chance of major advance in the near future does not appear bright. Conversely, there is at least a possibility that lower prices will be seen in coming weeks. While this possibility should be kept in mind, we think it desirable to point out that the time probably has come when any important decline in the prices of sound securities should be regarded as an opportunity for attractive long-term commitments rather than as occasion for fear. Our effort in recent weeks has been to guide our readers against premature optimism. While caution is still necessary, it should not be carried to the point of pessimism.

What is to be watched for is the possibility, perhaps the probability, of a worth-while buying level in securities sometime during November or December, bearing in mind that the market no doubt will have discounted many of the more important uncertainties in advance of their clarification. It is upon this possibility that the facilities of THE MAGAZINE OF WALL STREET will be concentrated henceforth.

Business Trend Hopeful

The current business records are hopeful in the main. The improvements comes, of course, from a very low level. Accordingly, a substantial percentage advance still leaves most lines of endeavor at a decidedly unprofitable level, but the important point is that at least a start has been made in the right direction.

Unfortunately, the most pronounced improvement is shown in the lighter industries, notably textiles. Revival in textiles and shoes is also accompanied by definite evidence of a moderately improved general trade demand, as shown by larger chain store and department store sales. This movement, while hopeful and possibly capable of spreading throughout the business fabric, must be regarded with some reservations. We do not yet know to what extent it is seasonal. Moreover, it is logical to expect that the wearing out of clothing, shoes and such articles of daily necessity should result in intervals of improved demand. The lighter industries have had lesser spurts previously in the depression, without indicating basic revival.

The heavy industries show little change, with steel operations at approximately 20 per cent of capacity and with the recent modest rate of increase in operations showing a tendency to flatten out. The automobile industry has dropped to an exceptionally low seasonal ebb in preparation for new models. Construction shows little impetus. The index of electric power output, if adjusted to allow for expected seasonal gain, is not as impressive as the reported figures indicate and while not receding is not far above the low of the depression.

On the other hand, railway car loadings, a reliable reflection of the flow of general business, continue to make

(Please turn to page 58)

Can the Various Nations of the Continent Overcome Their Nationalism Sufficiently to Lift the Barriers of Their Self-Imposed Trade Restrictions?

Having Reached the Bottom of the Depression Abyss, Europe Looks Hopefully to the Future

Is Europe Too Sick to Recover Soon?

By JOHN C. CRESSWILL

IN 1830 Carlyle was worrying about what the multiplying productivity of the still marvelous steam engine was doing to society. The future didn't look too good. Six years later Herman Melville, an American boy who was to become a famous writer, seeing London, came upon—in an open vault in a narrow street—

"—a motionless figure of a woman, with a dead baby at her breast, and two blue-skinned children clinging to her, slowly starving to death, starving, dying, finally passing out, with not a soul save Melville to offer succor, despite his pleas with constables and watchmen, until the stench of their dead bodies demanded their removal and the application of quick-lime to the spot where they had perished. A fine, prosperous world! A great, progressive civilization!" ("Herman Melville," by Lewis Mumford.)

A hundred years later Europe is going through the most trying economic dislocation it has known since Waterloo, but it is safe to say that nowhere on that continent has there been enacted such a tragedy as horrified Melville, but seemed to callous London to be an accepted episode of normal life. And yet a legion of writers have been declaring that civilization is prostrate and Europe on the edge of reverting to savagery. The text of a thousand discourses is, "Can Europe come back?"

The truth is that Europe, despite the trials of the moment, is definitely better off than it was in the prosperity of former times. Despite all the lamentations and all the prophecies of woe, despite ten or twelve million unemployed, despite a war that consumed 500 billions of wealth, despite the unimaginable difficulties of industry and commerce, the great machine of civilization everywhere functions and even the workless live better than the full-time workers of a hundred years ago. And still people ask "Can Europe Come Back?" Even while they ask, Europe is coming back.

No Danger of Revolution

In the first place Europe has definitely rejected communism. In the midst of trials which might well have tempted to bloody revolution western Europe has refrained from destroying itself. The whole fabric of its industry and commerce remains intact, even if limping in its functions. The physical wounds of the World War have been healed and the continent is potentially more productive than it was before, notwithstanding the multitudinous economic dislocations left by the war and its aftermath. On top of them came the cyclical collapse. The coincidence dealt the Old World a staggering blow, but like many sorrows it is proving a blessing in disguise. Had the agony been less intense the economic machine might have been merely temporarily patched up. As it is, profound reorganizations and readjustments are going on within all the states and forces are at work that will re-establish the equilibrium of the whole region.

Facing the Realities

Europe is beginning to recognize that it is interdependent; and the intense economic nationalism that followed the war, and was accentuated as a first-aid remedy for internal disorders in the first years of the depression, is giving place to the recognition of the realities. The continental view is slowly displacing near-sighted nationalism. It is being everywhere recognized that while a continental nation like the United States or Russia, or a world empire like Britain's, may live to itself, in large measure, no European nation can be prosperous with self-containment as its objective. The economy of all the great nations as well as that of the small nations of Europe has been built up during a hundred years on mutual and foreign markets. There has been a great national division of labor. And the experiences of the last few years are demonstrating that expansion of domestic trade offers no substitute for international trade. This consciousness is very slowly permeating political as well as economic thought.

The memory of the World War and all its bitternesses and hatreds are softening in the face of the common woe. The disposition is growing in all the chancellories of Europe to forget the past and face the present. The most impressive illustration of this fact is found in the softening attitude of France. Lausanne marked an epoch. The world does not yet appreciate the significance of the fact that France at Lausanne gave up nine-tenths of what it has stood for like a rock for fourteen years.

The bristling reparations question is virtually settled. A dispute that kept Europe in turmoil year after year, in good times and bad, is relegated to history. Germany

no longer faces the necessity of working itself to death to pay a preposterous fine. Lausanne marked the recognition by the World War powers of the necessity of dealing with realities, of the lunacy of insisting on agreements, treaties and penalties that are impossible of fulfillment. Step by step Germany is regaining full sovereignty and national equality. Of the end there is now no doubt, the only question is of how rapidly it may be reached.

Politically Russia is no longer a menace to western Europe, either militarily or by the penetration of subversive doctrines. Neither is it any longer to be held up as a millennial land. Its troubles are multiplying as those of Europe dissolve.

Recognition of Common Interests

Throughout Europe neighboring nations are frankly recognizing their interwoven interests. Regional trade agreements are being established or are contemplated. Belgium, Holland and Luxemburg have entered into a reciprocal trade agreement, so have France and Belgium. Following Lausanne, began the work under international auspices of straightening out the tangled economic affairs of the Danubian region, which promises ere long to restore much of the economic unity that prevailed under the Austro-Hungarian Empire. There is a growing disposition to recognize that the heroic measures in restriction of trade taken since the economic crisis set in are merely a bitter medicine, presently necessary to preserve life but in no way a substitute for international trade.

While only partly a European affair, the Ottawa conference, resulting as it did in a readjustment of tariffs within the British Empire bids fair to contribute to an improvement of business in Europe if it helps British trade anywhere near as much as it is expected to. While superficially it may be regarded as a sort of move toward self-containment, it must be remembered that it embraces a large part of the world. It emphasizes in that area the idea of give-and-take in trade. If it hastens the recovery of England it is bound to stimulate economic revival in Europe despite the new British tariffs that were a preliminary to it. Incidentally it has necessitated the abrogation of the trade agreement between England and Russia. This may seem like a backward step but it may serve to bring Russia into a general European trade concert.

Strong Governments in Vogue

The international political chaos is dissolving as strong governments rise in Europe and those that were strong consolidate their power. England is now firmly in the control of the Conservative party. The gradual dissolution of the National government and its conversion into a Conservative government may seem retrogressive, and as one presaging the return of a purely partisan condition; but in any event England seems assured of some years of a strong government, with definite policies and the capacity to carry them out.

The moderate and liberal Herriot government in France seems well entrenched in power.

Germany seems definitely to have passed into the hands of a strong "authoritarian" government, constitution or no constitution; Hitlerism appears to have passed its apex.

In Italy the hard but efficient government of Mussolini is well entrenched and entirely capable of dealing with all internal difficulties. Pilsudski still holds Poland in a firm grip. The era of internal tumult in the Danubian region seems to be well over.

International political relations are much improved. The German threat to re-arm has not greatly disturbed Europe, which discounts it as a domestic politics gesture, and is at the same time working toward a general progressive dis-

When Will They Begin to Ease the Bonds?

armament plan that will ultimately give Germany all that she wants. Reduction of armaments is considered a *sine qua non*, moreover, of composition of the political debts to the United States. The debtor nations are intent upon freeing themselves from a burden which has been made heavier by their forgiving of reparations, and they are getting ready to meet the price they will have to pay for American consideration. The specter of another war, while present, appears less as an immediate menace, perhaps fading away.

Paving the Way for a New Deal

While there may not be much to note in the way of statistics indicating a positive improvement in industry and commerce it is acknowledged that readjustments have progressed so far that there is now a sound base for rearing a new trade structure. The equilibrium of world trade has been largely restored by the drastic process of curtailing imports. In this way the foundations of revived trade are being painfully but solidly laid.

Nations that found unfavorable balances of trade were sapping their gold supplies or exhausting them, in making international settlements, went to heroic lengths to restore the balance by restricting or even embargoing imports. They are now generally getting into a position where they will be able to increase imports, without imperilling their finances or impeding their recovery.

The conversions of the government bonds in France and England into lower-interest obligations not only demonstrated the financial strength of those countries but substantially reduced public expenditures. For the time being the problem of Germany's private short-term indebtedness abroad has been disposed of.

Unemployment is decreasing in Germany, largely due to the premium put upon private initiative by additional remission of taxation, employment is increasing and is counted upon to stimulate the business revival. This measure, accompanied as it is by freedom of employers to reduce the rate of wages as they increase production and the number of their workers in response to reduction of the tax burden, has infused new life and enterprise into German industry. It is now possible to expand employment and improve profits without raising prices. This enables Germany to export her manufactured products on favorable terms. It is true that she still continues to restrict imports, but this is regarded as a temporary measure and also as something of a club to enforce her demand on creditor nations to reduce their tariffs. Aside from tariff reductions the Germans are encouraged by the fact that raw material supplies are low and that an increase in German production—now counted as assured—must create demands upon the raw material countries at better prices. In these countries there is, after years of dearth, a growing need for importations of manufactured goods; which are becoming feasible, owing to the general improvement of the international monetary situation. Germany is the outstanding industrial country of the continent, and her normal trade relations with her neighbors are so extensive that any improvement in her position is bound to be reflected in theirs.

France, which was the last great nation to be affected by the depression is possibly still slipping economically, but its condition has never been relatively bad, and its strong financial position will enable it to respond promptly to improved external conditions. Italy has not suffered intensely from the depression, and its administration by Mussolini as an economic unit had kept it fit and ready to participate actively in the expected general revival.

Europe and the United States

With the disappearance of the European fear of a collapse in the United States fear of another financial panic in any part of Europe has disappeared. The elimination of this fear has been accompanied by a growing belief in Europe that the United States has turned the corner. Notwithstanding its high tariff system the United States when prosperous is a liberal buyer of manufactured goods from Europe as well as of certain foodstuffs and raw materials from countries which are extensive consumers of European products. Any improvement of business in the United States will be promptly reflected in Europe. And it is there considered entirely possible for the United States, owing to the enormous capacity of its home market and the great extent and variety of its products, to take the lead in world revival. Incidentally, Europe is watching the American political campaign with mixed emotions. Inflation is an ogre in Europe, which it has kept away from through all its troubles of the last three years, and there is some disposition to fear that a Democratic triumph might be followed by currency inflation in the United States. On the other hand Europeans are longing for broader markets in the United States and a Democratic victory would be regarded by them as indicating a lower tariff regime here, which would also have the merit of setting the world an example.

But the fact remains that it is Europe's own endless and various trade barriers and restrictions that are the chief artificial impediment to her recovery. She still prefers, on the whole, to hold every inch of her several home markets. If the United States would obligingly lower its tariffs the nations of Europe might hope to continue to keep each other out of their own preserves and yet find outlets for their surplus production. They are evidently not yet eager to practice the doctrine they so eloquently advocate of increasing imports in order to expand exports. They are still wedded in practice to the idea of monopolizing the exports and leaving the imports to somebody else—preferably Uncle Sam. Besides, that would have the additional merit of redistributing the United States gold hoard!

Regardless of tariffs, however, Europeans feel that any gain in prosperity in the United States will be reflected in greater purchases from Europe.

The recent drop in the pound Sterling is causing some alarm, as it threatens to upset the present status of readjustment to exchange rates. If it simply represents the withdrawal of governmental pegging of the pound, preliminary to a return to the gold standard on a reduced gold content of the pound, the temporary difficulties will be endurable.

On the other hand it is more ominous if the report is true that withdrawal of support by British Exchange Equalization Fund arises from a depletion of this fund. Such a development might delay resumption of the gold standard which is now almost universally desired. The price inflation which has attended the departure from the gold standard and the attendant

(*Please turn to page 62*)

How Strong Are Our National Finances?

By JOHN D. C. WELDON

Is Confidence in a Fundamental Turn Justified on the Basis of:

Our Gold Position
Bank Reserves
Commodity Prices
Investment Bond Levels
Money in Circulation
Interest Rates
Federal Financing

THERE is a growing confidence that the bottom of depression has been seen and that the slow processes of economic recovery are now definitely at work. Evidence of a basic change is varied and confused. Industry and commerce show only slight gains and the ultimate significance of these is left in doubt by purely seasonal factors. In short, the current industrial records provide decidedly inadequate data for even a rough estimate as to either the imminence or the scope of whatever revival coming months may hold in store for us.

But there is another way of appraising our situation. Decline in business activity and profits is merely a reflection of underlying forces. It is to these forces that any long-range analysis of economic prospects must turn, for when major correction has clearly been accomplished we may safely take an eventual business improvement for granted, regardless of the unpredictable time lag involved.

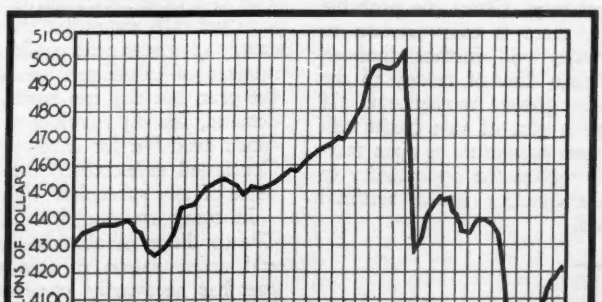
Looming large among the complicated forces of depression has been the inexorable deflation of credit, directly related to the tremendous deflation of commodity prices. These essentially financial factors contributed most positively to the undermining of public confidence. Conversely, tangible improvement in what may be conveniently summed up as "the financial position" has been the chief foundation for increasing confidence in recent months.

However slow economic revival may be, it is obvious that the first step is the cessation of the down hill journey. There is convincing evidence that this step has been taken. Since the commodity price movement may be taken as the simplest indicator of the course of depression and since it is immediately related to our general financial position, this may well be taken as a starting point of current analysis.

It is apparent that the advance in the average level of commodity prices since June, of which approximately half has now been lost in reaction, was essentially speculative in character. The point is unimportant, for such speculative exaggeration of a basic turn is a familiar characteristic of organized markets. The significant fact is that the basic downtrend of prices has been halted in such manner and over such a period of time as to suggest an approximate cessation of the major forces of deflation.

Opinions differ widely as to the prospect of an important advance in commodities in coming years. Conjecture on a prospect so far out of touch with currently available economic data is useless. Our tangible basis for optimism is that the process of major price deterioration has halted and that this carries with it the logical promise that the price movement in coming months should on the average be at least no worse than a lateral one.

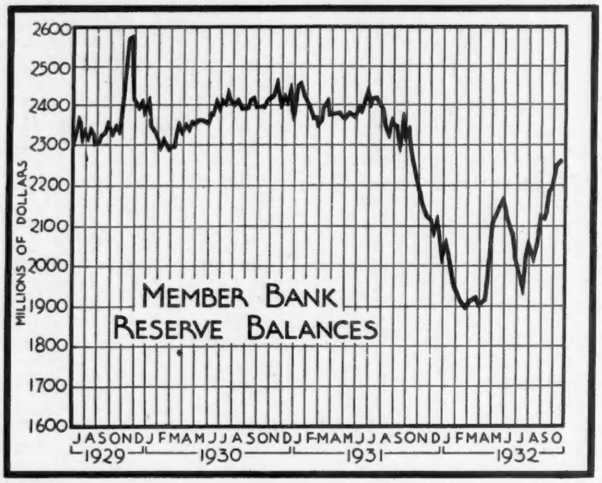
It is this flattening out of deflation which relieves the pressure upon public confidence and upon the credit structure and which, by providing a stable base for the first time in three years, greatly enhances the ability of business to adjust itself to new levels.



There is no need of conjecture as to precisely what brought about this change. It can be called neither wholly natural nor wholly artificial. Whatever the relationship of cause and effect, it is of interest to observe that in recent months demand deposits and reserve balances of member banks and commodity prices have followed an approximately similar pattern of movement. There is considerable reason for believing that the tide was actually turned last sum-

mer when for the first time the Federal Reserve System exercised its credit-relieving power to a major degree in its open market purchases of more than 1 billion dollars of Government bonds. There is no reason to believe, however, that this relief was belated or that it could have succeeded had it not been timed with proper relation to the natural deflationary correction already accomplished.

Improvement in credit is both reflected in and accelerated by a variety of subsidiary factors. Among the most important of these is the consistent enlargement of our monetary-gold supply, perhaps the one item to which pubic sentiment is most responsive. At this writing the gain since June 15 from imports and release of ear-marked metal held here for foreign account has amounted to slightly more than $300,000,000. This makes up the greater part of the loss of $487,000,000 between April 6 and June 15 when panic was rife and European distrust of the dollar was at its height. Moreover, it makes up considerably more than 25 per cent of the aggregate export of $1,106,000,000 of gold between Sept. 15, 1931, and June 15, 1932.



It need hardly be said that the favorable gold flow of recent months greatly expands our base of potential bank credit and provides the most readily accepted stimulus of public confidence. Regardless of minor variations in the size and direction of the gold flow this winter, the maximum possibilities of loss appear to be behind us for the simple reason that Europe has already withdrawn the major part of the balances that were in our keeping. Remaining foreign balances are not believed to be importantly above the total essential for actual commercial needs.

Currency circulation, after mounting to a new peak early in July, has turned definitely downward, although the return flow of funds to the banks is disappointingly slow as compared with the rapid upbuilding of our gold supply and although the movement has been at least temporarily interrupted at this writing, possibly due to the approach of the season of political uncertainty. Given the probable continuance of present trends, there is every reason to assume that hoarding of currency will further diminish and that at some point the return flow of money to the banks may assume substantially greater momentum. If and when that occurs a veritable glut of idle credit will exist and the Reserve System, now passive in its open market operations, would no doubt utilize the opportunity to withdraw, through sale of Government issues, artificial credit support no longer needed.

Mounting Reserves

Influenced by the combination of increasing gold supplies and declining currency circulation, pressure upon the banks has relaxed and their excess reserves have mounted to an exceptionally high level. At present the reserve deposits of member banks with the Reserve Banks amount to $2,284,000,000, an increase of more than $400,000,000 from this year's low and $7,000,000 more than at the corresponding time in 1931 when confidence was declining.

It cannot, of course, by any stretch of the imagination be said that a dynamic credit expansion is under way. Both bankers and business men remain cautious. Time will be required for credit improvement to penetrate throughout the entire business fabric, but it can be said that the banks are at least somewhat more willing to extend new credit and less pressing in their collections or liquidation of old debts.

Improvement is especially striking in the case of the New York City banks, whose position in relation to the banking structure as a whole is of commanding importance. Excess reserves of these institutions were $30,000,000 early in July, $117,000,000 at the close of July and at this writing are $190,000,000. Moreover, demand deposits were shrinking at the rate of $33,000,000 a week in June, slowed down to $9,000,000 weekly in July and thereafter turned up, the recent rate of increase having been approximately $37,000,000 a week.

Reflecting these easy money conditions, which prevail also in the leading foreign markets, interest rates have fallen to virtually unprecedented lows. Call money rates, long "pegged" at 2 per cent and far out of line with actual conditions have been cut to 1 per cent. Time money rates are at an all-time new low record, 90-day funds being offered at 1 per cent with ¾ of 1 per cent bid. Short-term United States Treasury issues are quoted at premiums which in some instances exceed the interest yield to maturity.

Bond Indications

As a notable part of the general financial gain, the bond market has experienced a major recovery, the appreciation of issues listed on the New York Stock Exchange alone since June having been more than $3,000,000,000. This is a clear indication that panic fear has vanished, but it as yet falls somewhat short of suggesting a dynamic recovery of investment confidence. It is true that a limited number of gilt-edged bonds are at new high prices for the year, but this can hardly be said to reflect enthusiastic demand, for, in relation to the enormous volume of idle funds available for investment, prevailing prices are low. Continued investment caution also is reflected in the absence of any substantial volume of new offerings.

In summary, our financial position, then, is favorable. The condition of abnormally low interest rates and abnormal accumulation of idle capital, which always in the past has necessarily preceded dynamic business revival, is in our favor, even though numerous other economic factors will have to determine the timing and scope of the industrial recovery for which a base has now been prepared.

However much reassurance we may take in the cessation of deflation and the relaxation of financial pressure, this change is by no means prophetic of an early credit

(Please turn to page 56)

Life Insurance Comes Through

Leading Companies Prove Rock of Security in Depression

By THEODORE M. KNAPPEN

THE great and terribly fatal influenza epidemic of 1918-19, with its chief inroads on the flower of the nation's manhood, in the third decade of life, demonstrated the value of life insurance in a national way as a protection against the uncertain tenure of human life. The present assault of economic depression on the life of business has demonstrated its supreme economic value. As in the influenza epidemic it proved of untold value in preserving the social structure, so now it is proving itself of incalculable value in preserving the economic structure. It is the boast of the life insurance companies that insurance is the only form of investment that has been virtually unaffected by the unprecedented economic hurricane of the last three years. Not only that, but it has proved a tremendous support for investments.

All Demands Met

In the three years of 1929, 1930 and 1931 the life insurance companies paid out in loans to policy-holders, including premium notes, the great sum of 1,370 million dollars. At a time when banks were failing by the thousands and other sources of means to meet the abnormal requirements for personal credit were enormously curtailed, if not entirely stopped, the insurance companies promptly met all demands for emergency relief without the slightest hesitation. The records of the companies show that a large proportion of these loans went to support and salvage investments which would otherwise have been lost pending business recovery. An enormous amount of what is ordinarily bank credit was taken over by the insurance companies, frequently at the direct suggestion of banks to patrons.

As a result, it is predicted by insurance authorities, that life insurance will come into new popularity as an insurance of investments as well as an insurance of life. Moreover, the economic value of the normal death payments of more than 2,500 million dollars during the same three-year period is incalculable.

While life insurance as an investment per se is not a substitute for other forms of investment it has the merit of being a sort of compulsory investment, which builds up a protection for them as well as against their failure. The imperative need of maintaining life protection, once undertaken is a powerful incentive to saving. Premiums must be paid or the benefit from those already paid is impaired.

The economic value of life insurance is not only in its individual relief. It has a public value in that it creates a great momentum of saving and the accumulation of investment capital.

As a general statement it may be said that the life insurance companies have met the abnormal demands upon them during these three years without sacrifice of assets. Their current receipts from their premiums and from their other income have been sufficient to meet all their expenditures. They have not, as a group, been compelled to draw on their investments.

While figures are not available for all companies for the period from August 1, 1931, to August 1, 1932—the blackest twelve-month of the depression—40 of the leading companies, having 82 per cent of the total admitted assets of all the United States legal reserve companies, actually increased their assets during that period by 645 million dollars. The only item of assets that showed an important decrease was mortgage loans particularly on farms. The latter shrunk by 81 million dollars, and other real estate loans by 10 millions. The total real estate mortgage shrinkage was only 1.4 per cent of the total of 6,350 millions. The shrinkage was largely due to foreclosures as well as to caution in making new loans. The

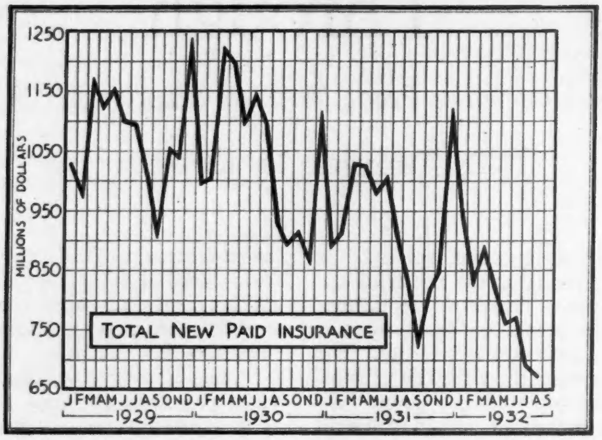
Some Statistics of the Life Insurance Colossus*

Year	1931	1929	1928
No. of Companies	342	353	331
New Premiums	$362,000,000	$391,000,000	$379,000,000
Renewal Premiums	3,116,000,000	2,360,000,000	2,658,000,000
Death Losses	915,000,000	808,000,000	706,000,000
Dividends on Policies	585,000,000	513,000,000	466,000,000
Surrenders, Lapses, etc.	861,000,000	443,000,000	369,000,000
Total Expenditures	3,538,000,000	2,882,000,000	2,548,000,000
Total Income	4,850,000,000	4,337,000,000	4,088,000,000
Cash	179,000,000	147,000,000	141,000,000
Policy Loans and Prem. Notes	3,369,000,000	2,379,000,000	2,000,000,000
Real Estate M'ges.	7,652,000,000	7,297,000,000	6,761,000,000
Bonds	6,724,000,000	5,924,000,000	5,777,000,000
Stocks	517,000,000	356,000,000	233,000,000
Total Insurance	90,611,000,000	85,244,000,000	78,520,000,000
†Indust. Insurance	18,274,000,000	17,901,000,000	16,685,000,000
‡New Business	12,379,000,000	14,529,000,000	15,961,000,000
Total Admitted Assets	20,100,000,000	17,482,000,000	15,961,000,000

* Adapted in round numbers from 1932 Year Book of The Spectator Co.

† Not included in total. ‡ Ordinary and group only.

former is largely reflected in the increase of 170 million dollars, or, approximately 42 per cent, in real estate holdings. Holdings of bonds and stocks actually increased in value by almost a hundred million dollars. Miscellaneous assets fell off 71 millions; but cash on hand increased by 31 millions, or 19.4 per cent, and U. S. Government bonds —the nearest equivalent of cash—by more than 20 million dollars.



This showing would not have been so good if the insurance companies were not authorized to enter their bonds at their amortized instead of their current market value. But that is one of the reasons why the insurance companies maintain that the value of their policies is in no way affected by the depression. Their bonds are not bought speculatively but for the interest they yield and in the expectation that they will be paid at maturity. So long as bonds pay interest and meet their maturities what happens to them in market quotations is of no practical concern to the companies. Stocks, of course, have to be listed at their approximate market values, but they are only a drop in the bucket of total assets of around 20 billions, being for all United States reserve companies only half a billion dollars.

It is at once a demonstration of the prudence with which life insurance policies have been written (despite the fierce competition between companies for new business) and of the economic strength of the nation that premiums on existing policies totaled 85 million dollars more in 1931 than in 1930. New premiums declined only from 385 million to 363 million dollars. And these figures are not for the forty companies but for 342 companies in 1931 and 352 in 1930.

Even at the end of 1931 this large number of companies showed a total increase of insurance in force of about a billion dollars, that is, from the stupendous total of approximately 89,600 million to 90,600 million dollars. By way of illustration it may be said that these sums represent about a quarter of the estimated national wealth in 1929—and very much more now.

It must not be imagined that the life insurance companies have been free from worry during these years of distress. They have been concerned lest the mounting loans to policy holders might exceed the premium, and even the total, income. This has been especially true during 1932, when the demand for loans has increased as the accumulated financial strain has affected more and more policy holders, while new business has been falling off; and old premiums have been declining, due to a marked increase in lapses and surrenders of policies. This item was about 400 million dollars more for all reserve companies—as a whole—in 1931 than in 1932, and has doubtless been proportionately greater so far this year than last.

The latest insurance statistics we have concern the new business written during 1932, up to September 30, by 44 companies, representing 81 per cent of the total volume of outstanding life insurance in the United States. These figures, published by the Association of Life Insurance Presidents, show how hard the accumulated strain is bearing on the financial resources of the public. In the nine months the total of new business written decreased 15.4 per cent from the amount written in the corresponding period of 1931—or almost 1,300 million dollars. At the same time, the fact that the nation was still able to take on more than 7 billion dollars of new insurance in those nine hard months is comforting. It is surprising that new industrial insurance decreased only 7.3 per cent, and painfully disappointing that group insurance decreased, 22.6 per cent. It is a reflection of the straits of business when it reduces its group insurance. But there is an encouraging side to these 1932 figures, which will be pointed out later.

Some companies have seen their policy loans fall below premium receipts, some have even seen them crowd or exceed their gross income. This latter situation is true rather of new, smaller and some stock companies than of the old, larger and mutual companies. It is to such companies, although complete data is lacking, that the Reconstruction Finance Corporation has been of assistance. Through that assistance—which, including fire companies totals $80,000,000—they have been spared the necessity of sacrificing assets to meet the present emergency. There have been no failures of importance. For the reserve companies, as a whole, total income even in 1931, exceeded total outgo of every description by around 1,300 million dollars, as compared with about 2,900 millions in 1929.

There has been something of a "run" on the life insurance companies, but how much cannot be estimated. It is known that some fearful policy holders have either surrendered their policies and taken the cash value or have borrowed to the utmost from the same motives that have caused withdrawals of bank deposits and hoarding. Short, however, of an absolutely complete collapse of the whole financial structure of the nation anything like a general run is absurdly impossible. There is little use in discussing what might happen to any group of institutions if the United States should go into universal bankruptcy. The fact that millions of depositors, as it were, have continued to put their money into insurance companies in face of the great increase in loans, shows that there is no panic spirit of importance in the attitude of the public toward insurance.

Withdrawals have been overwhelmingly the result of dire necessity, regretted as much by the borrowers, surrenderers and lapsers as by the companies. In a strictly asset sense increases in policy loans are not deplored by the companies, for the safest loan is one on a policy, as the company actually has in its possession the assets to cover the loan. Such loans are deplored because they impair the volume of protection against death, but on the other hand they arm the living against the vicissitudes of life. They also give new emphasis to the value of life insurance for the insured as well as for his beneficiaries; and the present reliance upon them will lead to a greater extension of this form of protection against life and death. Temporarily, the insured benefit at the expense of the beneficiaries—and this may be enduringly so, for the tendency is to carry an insurance loan automatically with the policy rather than to reduce or pay it off. On the other

hand, the assistance the insured gets from a policy loan in life is shared with the beneficiaries. Such loans have been the means in millions of cases of keeping the family intact and afloat.

Again, this crisis has emphasized the social as well as the individual benefits of life insurance. The policy of the great companies, secure in their own existence, and deriving their billions of investment funds from the masses of the people, has been one of forebearance as creditors. Without pressure of financial menace to themselves, and confident in the ultimate security of their investments and of eventual business revival, they have been prompted to pursue a policy which would save equities for their mortgage borrowers wherever prudent to do so. The handling of over-due mortgage indebtedness in most other hands would be distressingly drastic and destructive. The companies are desirous, of course, of maintaining their policy dividends, but that desire is not so pressing as in the case of purely profit-making institutions, and they can take the larger and longer view. Policy dividends have suffered. Incidentally, speaking of real estate mortgages, the insurance companies express no concern about them. Even foreclosure rarely results in loss. The companies can take their time in realizing—and the proportion of their investments in them has gradually increased for the last 26 years. As with bonds, the companies are not so much concerned with liquidity at any given moment as with the probability of eventual realization. As to the general care and prudence with which insurance companies have administered their investments, it is notable that according to the statistics of the Spectator Co., 100 companies, even in 1931 enjoyed an average yield from their investments of 5.23, as compared with 4.67 for 28 companies in 1906.

A disquieting, although minor, feature in life insurance developments of the hard times has been the increase in suicides of policy holders. There is also a tendency for poor risks to seek insurance. It is said that while the suicide rate has increased most markedly in the industrial group, there has been a pronounced increase in suicide among the holders of large ordinary life policies. There is said also to be marked increase of death losses which may be due to suicide. In the case of some of the smaller companies the sudden increase in deaths of large policy holders due to suicide or possible suicide is stated to be one of the reasons why they have appealed to the Reconstruction Finance Corporation for help. These considerations are leading to unusual care in accepting risks, and that doubtless contributes to the falling off in new policies. More care is also exercised than ordinarily in respect to consideration of the applicant's ability to carry so large a policy as he may desire. While some of the increased suicide rate is doubtless due to the insured's desire to rescue his family from impending financial disaster, much of it is due to his prevailing spiritual and mental depression. Life seems not to be worth living.

The latest statistics of life insurance above mentioned—relating to new business in 1932—while making a poor showing for the first nine months of 1932, compared with the like period of 1931, contain an indication that the worst is over. And, if for life insurance, presumably for business in general. This indication of business improvement is found in the fact that September new business shows the smallest decline—compared with the corresponding month of last year—for any month of 1932 since February. In May, June and July it was around 23 per cent; in August, 20.5 per cent. Individual companies report that similar gains are found for September in all the indices of insurance progress, viz., relative falling off of policy loans, cash surrenders, lapses of policies, delinquent interest, and foreclosures, and increase of "production," that is, new business. On the basis of these indices some insurance executives are emphatic in the opinion that the low point of the business depression has been passed.

While the life insurance companies as a whole have demonstrated remarkable stability and immunity to both the temptations of boom years and the trials of lean years, some concern is expressed for the effects of possible developments among the weaker ones. Even cautiously enlarged permission to invest in stocks did not swerve many companies from their conservative attitude to any extent. Foreign companies have been more prone than American companies to put their funds into stocks, not always being under such compulsion as American concerns. It is realized that if any large foreign company, which may have impaired its soundness by incautious investments, should become embarrassed the effects on other companies would not be salutary if it had a large volume of United States business.

In conclusion it is important to note that the proportion of the national income going into life insurance during the present depression approaches three times what it was in the depression of 1921, the total amount of insurance carried now being 2.25 times as great as eleven years ago. That such a backlog must have contributed greatly to absorb the impact of these profitless years is self-evident. No doubt every reader has encountered instances where the insurance reserve has been a lifesaver to individuals and to business enterprises. No other nation has been so well armed as the United States in this respect. Our devotion to life insurance has been at once an incentive to saving, to the protection of the family and the estate, and a reinforcement of investments.

Selected Significant Data Regarding Individual Life Insurance Companies*

as of Dec. 31, 1931 (000's omitted)

Company	Policy Loans	Prem. Income	Total Income	Insurance: Total	Insurance: 1931 Inc. or Dec.	Increase in Assets 1931
Aetna g	$66,222	$80,583	$102,630	$3,780,832	—$47,025	$13,172
Equitable g	269,240	279,098	362,068	7,090,963	—27,772	115,945
John Hancock g i	79,310	126,533	157,004	3,612,880	+88,568	37,156
Metropolitan g i	389,953	706,418	884,362	19,447,343	+636,377	280,004
Mutual Life	200,594	173,342	233,629	4,450,294	—13,983	54,039
New York Life	353,433	291,980	400,142	7,657,373	+30,653	101,077
Northwestern Mutual	205,992	130,255	190,461	4,096,140	+40,665	39,544
Pacific Mutual	35,401	23,581	39,821	753,963	—12,923	12,651
Phoenix	27,593	23,844	33,736	636,865	+13,298	10,060
Provident Mutual	49,321	34,879	49,372	1,029,752	+14,136	107,57
Prudential g i	218,648	580,911	725,753	15,870,637	+569,318	200,928
Travelers g	106,171	110,114	142,377	4,742,804	—146,317	28,598

g Transacts group insurance in addition to ordinary. Items include all transactions.
i Transacts industrial insurance in addition to ordinary. Items include all transactions.

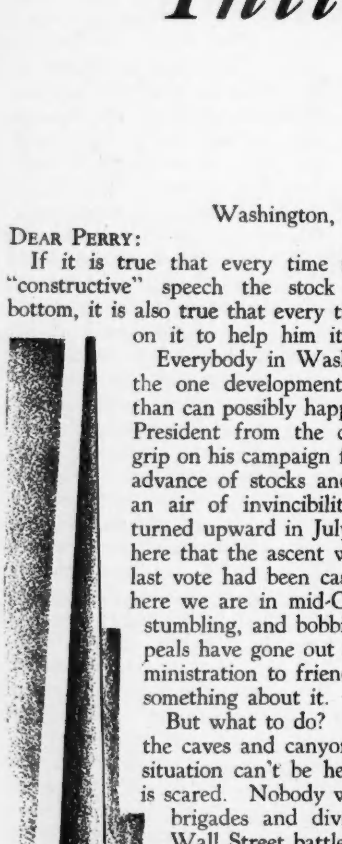
* Adapted in round numbers from 1932 Year Book of The Spectator Co.

Intimate Letters of a
& His New

Washington, D. C., Oct. 15, 1932.

DEAR PERRY:

If it is true that every time the President makes a "constructive" speech the stock market dives for the bottom, it is also true that every time the President counts on it to help him it goes into a nose dive.



Everybody in Washington knows that now the one development in the business world than can possibly happen in time to rescue the President from the coils of the depression's grip on his campaign for re-election is a steady advance of stocks and bonds, with a sort of an air of invincibility. When the market turned upward in July it was fervently hoped here that the ascent would continue until the last vote had been cast on November 8. But here we are in mid-October with the market stumbling, and bobbing up and down. Appeals have gone out from friends of the Administration to friends in Wall Street to do something about it.

But what to do? Word comes back from the caves and canyons of Mammon that the situation can't be helped because everybody is scared. Nobody wants to throw imposing brigades and divisions of cash into the Wall Street battle "for Hoover and right" if the end is defeat. It's bad enough to lose control of the government without losing your shirt also. With the former gone, the latter will be an admirable possession. But this is the fact, as I see it: Unless the market can show splendid vigor from now on, right up to election, the President's remaining chances will be greatly imperilled. One of the most powerful financiers in the country said to me the other day: "The stock market can, in my opinion, give us both Hoover and good times. It seems bent now on giving us neither. We need the assurance of good times to put Hoover back, and we need the assurance of Hoover to keep times good. We're afraid to help Hoover by inflating the market, for fear the defeat of Hoover will deflate it. We are running around in a vicious circle. The result is that the one thing the business world can do to help Hoover it doesn't do."

Perhaps by the time you get this something will be doing—but probably too late.

It's really pathetic the way the Administration looks appealingly, day by day, toward Wall Street. There's the one great miracle plant in America. It might even pull a Republican victory out of a rout, but it remains as cold as cold potatoes.

Don't get the impression that I think all is lost for Hoover. I only think all is nearly lost. The Republicans admit that Farley caught them napping when he spread the idea months ago that Democratic victory was certain. (Nothing has contributed more to make that prophecy realizable than its continual reiteration.) They have now started a backfire telling of the amazing stampede for Hoover since his Des Moines address. Doubtless he is gaining. Republicans always gain in the last month of a campaign, and always reach their maximum strength on election day. With the Democrats it is always a question whether the lead obtained in July can be retained in part by November.

Politics overshadows everything else here but there are lots of other troubles. The State Department is a cave of gloom. A show-down with Japan is regarded as certain. It is feared that the rising jingoism of that highly nationalistic country will result in driving the United States into a corner on the Manchurian question from which it can only emerge by crawling or fighting. Germany is regarded as having upset the European apple cart again by its demand for arms equality. South America is a hopeless mess. . . . What would you do with Chilean bonds? I have five sixes of 1960. Looks to me as if I had done better to patronize the Press Club poker room.

Announcements of the concessions the British Dominions, particularly Canada, are giving the Old Country, as a result of the Ottawa Conference, has had mixed effects here. One reaction is toward virtual isolation from the rest of the world. Another is that we must hasten to adopt a tariff policy that will turn the world to more liberal attitudes toward international trade.

Washington is convinced that business is improving. Money was never so cheap and abundant and so little in use. Main trouble now is held to be lack of nerve and courage in the business world. The casualty list of the last three years is so great, the business graveyards are so well filled, the numbers of the economically shell-shocked are so vast that it is feared that it will take another year for group courage to revive. And another winter of budget misery is before us. Taxes must be increased once more and expenditures slashed still further.

Still life goes on. Washington is lifting its eyebrows over "Virgins in Cellophane," written by one of its own

Washington Journalist York Broker

political girls. It is also scoffing at the second rendering of "Washington Merry-Go-Round." The group of authors ran out of plausible gossip and dependable facts in the first round. Everybody is finding errors and impossibilities in the second. There will be no third. One reason is that the authors can't lose any more jobs. Each edition cost at least one Washington correspondent his position.

Biggest thing in Washington, though, is the spectacle of an entire community adjusting itself to a simultaneous reduction of 10 per cent in its income. You can just see that 10 per cent coming off everywhere. But right in the face of it some of the department stores are having the best business they have had in three years. Prices fell faster than salaries. This town is living about as well today on a 10 per cent less income as it was in June. Everybody took and gave a 10 per cent cut. We got our readjustment altogether. Too bad the whole country couldn't have it that way. Write soon, "old potato."

DON.

New York, Oct. 19, 1932.

DEAR DON:

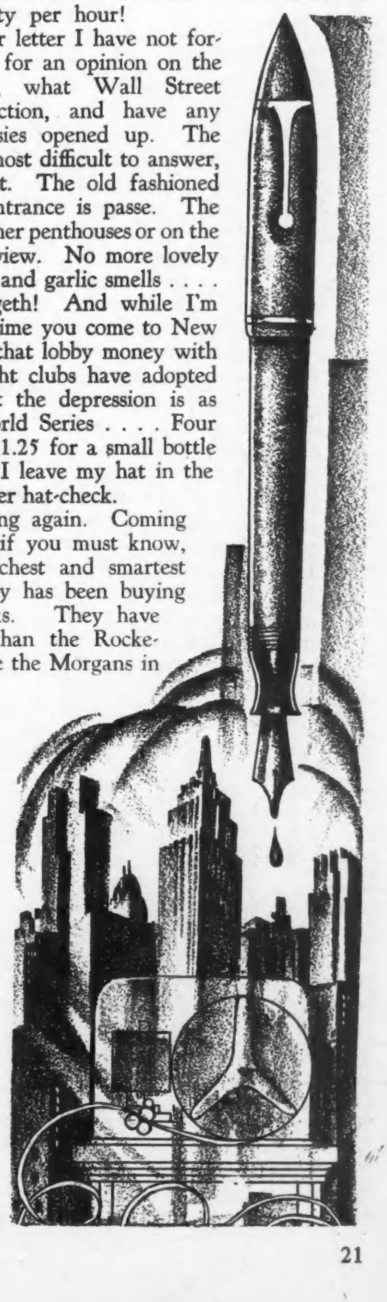
Your wise-crack about the stock market going down every time Lord Herbert opens his mouth, isn't funny any more! Only yesterday morning there was an awful mess on the Stock Exchange. One of the specialists was in a jam, and had to call in several Governors to straighten him out. It seems that there were four more Hoover speeches in the offing, and only two bid for on the book!

You want to know what is the matter with the market? So do 120,000,000 other people, including the Scandinavian. I think it has Freudian complexes. On alternate Thursdays it is wheat conscious . . . . on the second Tuesday in every month it is cotton conscious . . . . And whenever the Presidential candidates are scheduled to broadcast, the market becomes speech conscious. It's a good thing the common run of speculator has never heard of Thomas or Upshaw. By the way, have you?

On every side I hear brokers and customers alike saying that this is a funny market. Listen Don, when you have been in Wall Street as long as I have, you will realize that all markets are funny, only some are funnier than others.

What has become of Chandu Meyer, the Magician? And where has gone his Rabbit Commodity Pool? Where is that 70-cent wheat and that 15-cent cotton I was hearing so much about immediately prior to the Maine election? I know now that I shouldn't have bought cotton! I should have borrowed some and used it to stuff in my ears!

About three weeks ago I seemed to know everything about everything. I was told that the Republican gang had gotten together enough money to put up wheat, cotton and stocks. All us common folks had to do was to buy all three, wait for Herbert's Des Moines speech, watch the fireworks, and cash in. The G. O. P. was supposed to be impersonating Santa Claus, and only those in the know would benefit. Only some seven or eight million people were told the inside story. Came the dawn, came the reaction, came the margin call, came the sell-out . . . . and you can't beat my old friend P. T. Barnum . . . . the birth-rate remains at sixty per hour!



In answering your letter I have not forgotten your request for an opinion on the market right now, what Wall Street thinks of the Election, and have any new smart speakeasies opened up. The last question is the most difficult to answer, so I'll get to it first. The old fashioned brownstone cellar entrance is passe. The new "speaks" are either penthouses or on the East River, with a view. No more lovely thick choking smoke and garlic smells . . . . the old order changeth! And while I'm on the subject next time you come to New York bring some of that lobby money with you. Our ultra night clubs have adopted the silly notion that the depression is as dead as the last World Series . . . . Four dollars couvert and $1.25 for a small bottle of Apollinaris . . . . I leave my hat in the car, and save a quarter hat-check.

Here I am rambling again. Coming back to the market, if you must know, I'm bullish. The richest and smartest group in this country has been buying stocks for two weeks. They have more loose money than the Rockefellers, and could lose the Morgans in their petty cash account. Don't ask me who they are, because I'm sworn to secrecy, but if you want a hint, I don't mind telling you that I am using that good Gulf oil, eating out of Aluminum utensils, and keep my food in Westinghouse refrigerators. Figure that out.

As to the Election, I don't mind telling you I am voting for Lord Herbert, and am praying for miracles to

(*Please turn to page 62*)

Third-Quarter Earnings and Fourth-Quarter Prospects

Signs of Further Adjustment to Current Conditions Apparent in Reports of Companies in Key Industries—Modest Business Gain Indicated

By Phillip Dobbs

Earnings statements for the third quarter of 1932 are of unusual interest in view of the widely accepted belief that these three months included the low point of the depression and the beginning of revival. It is, of course, for evidence of the latter trend that the figures will be subject to particular scrutiny.

WHETHER the corporate statements for the third quarter of the present year now coming to hand are better or worse than was expected, is a matter of minor importance The facts speak for themselves. While not uniformly poor, it is clear that third quarter earnings as a whole do not make a brilliant showing and that the much talked of business improvement which commenced in August has been of very modest proportions. Nevertheless, despite its exasperating slowness, there was some betterment and it shows up here and there in corporate statements either in the form of a smaller loss or an increase of a few cents a share in earnings. As was to be expected, it is the so-called light industries which make the best relative showing. Many industries classified as heavy may be said to continue thoroughly depressed, for here any slight improvement which may have been registered has had negligible effects in restoring even a moderate degree of prosperity.

Steel and Railroads

Of the fundamental industries, steel and the railroads are the most precariously situated. Unfortunately, there are no third quarter reports of important steel companies available, so that it is impossible to translate their recent business into actual dollars and cents. It is certain, however, that the industry as a whole has fared poorly. While operations increased a few points from 12% of theoretical capacity, activity at the rate of some 50% of capacity is needed to show even meager profits. If the October showing is any indication, the fourth quarter, albeit slightly better than the third, will be a poor period also, and the industry must look at least as far as the seasonal increase at the beginning of next year for the return of profits.

The railroad situation is very similar to that of steel. There has been some improvement as shown by the increased carloadings, but the improvement has taken place from so low a base that much more is needed for the average road to cover even fixed charges. Among recent railroad reports is that of the New York Central which showed a net loss of $15,454,649 for the first eight months of the year, compared with a net profit of $4,446,441 in the corresponding previous period; the report of the Chicago & Northwestern showing a net loss of $9,201,084 against a net loss of $2,707,356 for the same two periods; the report of the Atchison, Topeka & Santa Fe showing earnings of $1,851,305 against $13,692,063; and the report of the Baltimore & Ohio showing a net loss of $5,698,929 against a profit of $1,421,361. The Chesapeake & Ohio, however, reported a profit equivalent to $2.01 a share of common stock for the nine months ended September 31, 1932, compared with $2.76 in the previous nine months. Indicated earnings of 87 cents a share for the September quarter of the present year represented a material improvement over the first two quarters and current bituminous coal loadings are such as to indicate that the fourth quarter might easily be better still. The Chesapeake & Ohio is the only important road in the country still paying the pre-depression dividend on its common stock. The rate of $2.50 a share undoubtedly will be covered this year and appears to be in no immediate danger.

Building Gains Slightly

Reports of companies catering to the building industry are poor, although they indicate glimmerings of improvement. Johns-Manville, for example, reported a loss of $1,792,571 for the first nine months, while the loss in the third quarter was only $277,693 which shows considerable adjustment to the unfavorable conditions prevailing. The Pennsylvania-Dixie Cement Co. reported a net loss of $1,649,864 for the twelve months ended September 30 and a comparison of this figure with that for the twelve months ended June 30 shows that the company broke about even in the third quarter of the present year. While there is nothing very bright in the prospects of the

building industry for the fourth quarter it is an indisputable fact that residentially the country is now underbuilt and this, coupled with facilities now being provided by the Government to finance real estate, holds out hope for next year.

Drop in P. U. Profits Recent statements from the electric public utilities reflect the sharp drop which has taken place in electric power production. Peoples Gas, Light & Coke, for example, reports earnings equivalent to $1.13 per share of common stock for the September quarter of 1932, compared with $1.51 for the corresponding previous period, and with $2.35 in the second quarter of this year. Detroit Edison for the twelve months ended September 30, 1932, reports earnings equivalent to $6 per share of common stock, compared with earnings of $8.95 for the same period twelve months previously. Earnings for the twelve months ended June 30, 1932, were equivalent to $7.02 a share, which indicates that the profit in the third quarter was but little better than $1 a share. It may indeed have been less. United Corp. reported earnings of 11 cents a share for the third quarter, the same as in the previous quarter. This, however, reflects dividend income only and does not take into consideration that the company's equity earnings undoubtedly have been reduced.

Careful estimates of the earnings of other public utility companies tell about the same story. It is assumed that the Consolidated Gas Co. of New York will report a profit for the third quarter of somewhat better than 80 cents a share, that the earnings of the Public Service Corp. of New Jersey for the same period will be equivalent to slightly under 90 cents a share, and that those indicated for the North American Co. will be in the neighborhood of 50 cents a share. But for many of these companies the fourth quarter will undoubtedly be better than the third. Apart from the clear indication of improvement now being given by electric power production, seasonal factors coupled with increased manufacturing activity in certain lines assure the utilities of a somewhat greater degree of prosperity in the coming months.

Like the electrical division, other companies classified as public utilities show some falling off in business for the third quarter of the year. The American Telephone & Telegraph Co. reports earnings of $1.90 a share on the average number of shares outstanding for this period. This compares with earnings of $1.95 a share in the preceding quarter and $2.12 a share in the September quarter of 1931. While it is clear that this largest of companies is not earning sufficient to cover the regular $9 dividend on its common stock, the usual declaration at the next meeting on November 16 appears more likely than not. For the first eight months of the year the indicated earnings of the Pacific Telephone & Telegraph Co. were equal to about $4.17 a share. The loss of telephones by this company in September slowed up somewhat and the outlook appears to be somewhat more hopeful. The Western Union Telegraph Co., reported a net loss of $759,083 for the first two months of the third quarter comparing with a net loss of $66,949 in the preceding quarter and with net income of about $1.22 a share in the September quarter of last year. While this company has put into effect many economies, a really prosperous condition can hardly obtain until there is a considerable improvement in general business.

Electrical Manufacturers Turning to the manufacturing industries, results for the third quarter vary considerably. In the electrical equipment field, General Electric earned 7 cents a share, compared with 11 cents in the preceding quarter and with 32 cents in the September quarter of 1931. The best that can be said for the Westinghouse Electric & Manufacturing Co. is that the deficit in the third quarter was somewhat less than in the first quarter when the sales billed were 60% greater. The loss for the latest three months' period totaled $2,715,122, compared with a loss of $1,881,979 in the preceding quarter and with a net profit equivalent to 35 cents a share of common stock in the September quarter of last year. Despite the optimistic statements emanating from the management of Westinghouse, the fourth quarter prospects of the electrical equipment industry are not for any phenomenal improvement. It will probably be next year at the earliest before a reasonably prosperous condition is attained.

Among the other equipment and machinery companies to report for the third quarter of the present year, the Bohn Aluminum & Brass Co. just managed to stay out of the red, compared with quite a large crimson entry for the corresponding previous period; New York Air Brake's loss was about equal to last year's, but the nine months' loss was considerably in excess of that reported for the first nine months of 1931; Transue & Williams reported losses for the September quarter and for the first nine months of this year roughly half *(Please turn to page 57)*

Third-Quarter Earnings Compared

Company	Earned per Share: Third quarter 1931	Second quarter 1932	Third quarter 1932
American Chicle	$1.05	$1.05	$0.90
Am. Tel. & Tel.	2.12	1.95	1.90
Atlantic Refining	.46	1.02	.39
Beech-Nut Packing	1.00C	1.10C	1.05C
Bohn Aluminum	.04D	...	...
Chesapeake & Ohio	.71C	.52C	.37C
Con. Gas of N. Y.	NF	.94	.82E
Corn Products	.64	.63	.74
Detroit Edison	NF	NF	1.05C
Du Pont	1.12	.27	.36
General Am. Tank Car	1.26	.52	.60E
General Electric	.32	.11	.07
General Motors	.26	.07	.32D
Johns-Manville	.17	.98D	.55D
Loose-Wiles	.61	.55	.23
Mathieson Alkali	.53	.20	.13
Nash Motor	.70†	.11‡	.06†
National Biscuit	.74	.61	.55
New York Air Brake	.41D	.75D	.40D
North American	NF	NF	.50E
Peoples Gas (Chic.)	1.51	2.35	1.13
Standard Oil of California	.48	.30	.45E
United Corp.	NF	.11	.11
Western Union	1.22C	.06C	DE
Westinghouse Electric	.35	.84D	1.16D

† Three months ended August 31. ‡ Three months ended May 31. C Indicated. E Estimated. D Deficit. NF Not available.

Twenty-Five Years Ago and Today

Greater Changes in Our Social and Economic Structure Have Taken Place in the Past Quarter Century Than in Any Similar Period — What Do They Indicate for the Future?

By C. M. Grover

IF, when THE MAGAZINE OF WALL STREET was established in the panic year 1907, it had been possible accurately to forecast the history of the next twenty-five years, the prophecy, measured by the known standards of the day, undoubtedly would have seemed visionary and fantastic.

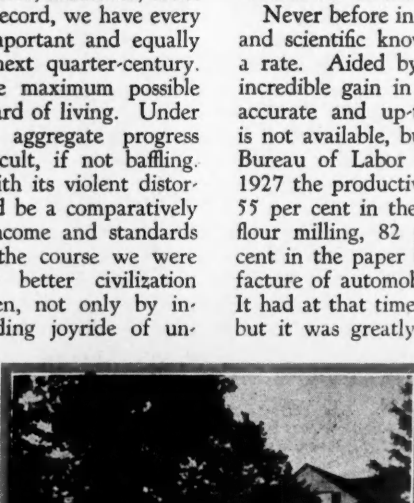
Yet in retrospect it is clear that no previous quarter-century of human experience has been so crammed with changes affecting the position and manner of living of the individual—changes in economic, scientific, industrial, social and political trends. Considering the record, we have every reason to look forward to equally important and equally unpredictable evolutions during the next quarter-century.

The goal of the individual is the maximum possible security and the highest possible standard of living. Under existing conditions analysis of our aggregate progress toward this goal is uncommonly difficult, if not baffling. If there had been no World War, with its violent distortion of previous relationships, it would be a comparatively simple task to measure our wealth, income and standards of living with those of 1907. But the course we were placidly following toward an ever better civilization twenty-five years ago has been broken, not only by international conflict, but by a succeeding joyride of unprecedented inflation and its aftermath of an equally unprecedented deflation, leaving it uncertain what part of today's gains and losses are of permanent significance.

Vast as they are, the major economic changes of the past quarter century have crept upon us in a manner imperceptible to the average person. During this period we reached and passed the peak of the virtually automatic expansion which accompanies the filling up and development of a pioneer country. During this period we reached a point of diminishing economic returns from large-scale immigration and put an almost complete check upon it. Together with a tendency toward a declining birth rate, this has significantly checked our former rapid rate of population growth. In the past, population growth and the exploitation of natural resources which accompanied it provided a consistent and vastly important increment of expansion and prosperity.

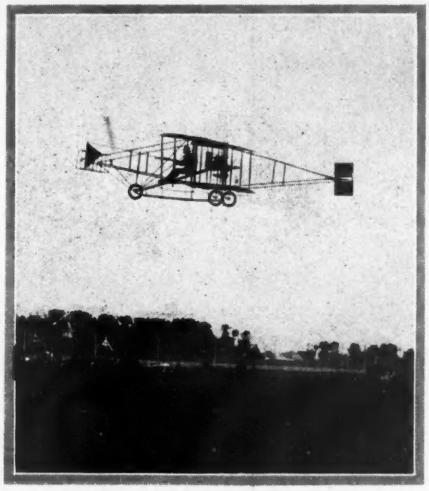
Within this period came the veritable flowering of the Machine Age, enabling mankind for the first time to conquer the problem of producing an abundance not only of the necessities but the luxuries of life. In short, we have solved the problem of production, only to encounter glaring weaknesses in the processes of distribution.

Never before in so short a space of time did technological and scientific knowledge and efficiency increase at so fast a rate. Aided by the machine there has been an almost incredible gain in our per capita ability to produce. An accurate and up-to-date statistical measure of this gain is not available, but figures compiled by the United States Bureau of Labor Statistics show that between 1914 and 1927 the productivity of labor per man per hour increased 55 per cent in the iron and steel industry, 59 per cent in flour milling, 82 per cent in petroleum refining, 40 per cent in the paper industry and 178 per cent in the manufacture of automobiles. The gain did not start with 1914. It had at that time made moderate progress for some years, but it was greatly accelerated since 1927, first under the demands of expanding markets, then under the stringent demand for efficiency imposed by the depression.



The past 25 years has seen the introduction and speedy exploitation of such new products as the automobile, the radio, the airplane and mechanical refrigeration. In the automobile we gained an industry whose economic scope and importance rivals that of steel, the railroads and construction in its influence upon employment and volume of trade. It has been a quarter-century of ever-faster speed and convenience in transportation and communication. The factor of distance has become ever less important in business and human relationships. It is during

this period also that we have witnessed the development of the giant corporations, despite the check imposed by Federal laws.



Insofar as standards of living are concerned, it is probably accurate to say that substantial progress has been made, although its relation to actual human welfare is open to philosophical debate. Certainly the automobile, the radio and other modern conveniences have vitally affected our mode of living. To the extent that conveniences of this kind represent higher standards of living, we have gone far — so far that no return to simpler standards seems likely except under the temporary compulsion of depression.

Yet it is impossible to escape certain doubts that arise as to the fundamental betterment of the individual's position. Regardless of modern conveniences, he does not appear to be any nearer to the primary goal of security than he was twenty-five years ago. Indeed, with technological progress steadily reducing the hours of work available and with our technique of distribution lagging far behind that of production, the intensified specialization and interdependence of today unquestionably make the status of the individual increasingly insecure.

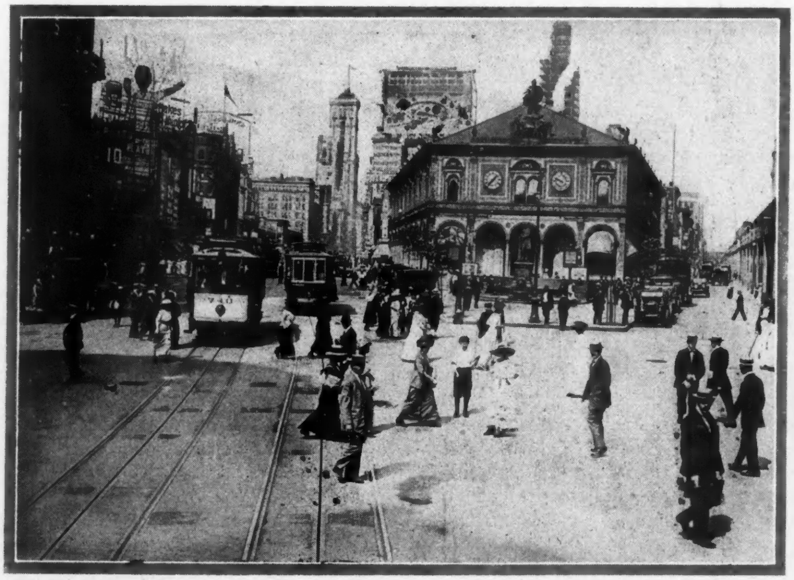
The position of the largest single class in the country—the farmers—is on the whole worse than it was a quarter-century ago. True, the farmer also has modern conveniences and more comforts, but in relation to purchasing power both his tangible wealth and income are lower than in 1907. He is burdened by a far larger debt and tax load. On the average, he is getting lower prices for his product than twenty-five years ago and paying considerably more for his purchases. This income shrinkage, together with an unprecedented total of mortgage debt, unquestionably has greatly lessened the sense of security that the farmer was once able to take for granted.

In terms of real wages, or purchasing power, those employed in industry have lost a substantial part of the gain experienced since pre-war days, but it is, of course, impossible to measure what part of the current loss of either the urban worker or the farmer is temporary. For the urban worker, there is at least the compensation involved in an inevitable trend toward shorter working hours and greater leisure.

One of the most striking changes of recent years is the tremendous growth of public interest in securities. Whereas formerly accumulated savings went largely into real estate mortgages and a few railroad bonds, demand has now broadened to every conceivable type of security. The war and its Liberty Loan campaign gave millions of persons their first taste of security investment. Moreover, during the period of post-war prosperity more individuals than ever before had surplus capital to invest. The vast increase in the numbers of individuals owning stocks and bonds has become a definitely important aspect of our social system. It probably has much to do with the social and political stability which has been a reassuring feature of our worst depression.

A still more vital change, however, has come about. Our past prosperity has rested not only on the development of a new country, but on a substantial export trade. Our position prior to the war was that of a debtor country. We borrowed heavily of European capital and made payment in the export of goods. The war changed that—a change that probably would have been inevitable over a more extended time—and made us a creditor nation. Foreign capital was depleted. Ours greatly increased and was rapidly loaned to Europe. The total amount of gold in the world being substantially less than these debts alone, they can only be paid in goods or services, as we formerly paid our debt to Europe.

What we will do in coming years to cope with this altered status is conjectural to a high degree, but what stands out is that a variety of major economic changes have occurred without proportionate adjustments in our social and political structure or even in our habits of thought. We tend to stick to old ways in dealing with new problems.



Photos by Brown Bros.

Herald Square Twenty-five Years Ago

On the social side, an unworkable proportion of the benefits derived from technology and the machine have gone to a limited class of owners, and thence back into additional productive equipment. The rise in real income per capita has lagged behind the rise in productive output per capita, with the result that the restoration of purchasing power among the masses and the renewed exchange of goods *(Please turn to page 54)*

Investment Trusts Under the Microscope

Reviving Interest Turns Attention to Comparative Showing of Management Companies

By Carl Williams

> ***"Some hints as to the factors to be looked for in selecting a desirable investment company may be drawn from the painful experience of the past few years. The outstanding one, perhaps, is that such a company should operate exclusively in the interest of its shareholders and not be used for collateral interests. It should command, or be able to command, exclusive skilled talent at a reasonable cost per unit of the fund managed. It should provide a means of enabling the shareholders to withdraw at will with a fair price for his interest."***

FEW of the idols of the boom that crashed under the relentless blows of the depression fell with a more deadening thud than the Investment Trusts. Shrinking portfolio values, decreasing revenues, disappearing dividends, and the revealed weaknesses of complicated capital structures and interlocked holdings contributed to a downfall in popular esteem that brought prices considerably below liquidating or break-up values. But since the turn of the market last summer a new appraisal and a new interest is manifest. Investment trusts, particularly those of the management type, are under renewed scrutiny. Which ones shall be held and which disposed of? What are their prospects of recovery—better than that of the rest of the market or worse? Such questions might be answered by one more question which surpasses all others in importance: How good is the management? No categorical answer is possible but a comparative showing may prove helpful.

The table below covering 35 management investment companies indicates briefly the over-all operating results during three years of panic and depression. Even at that it is only part of the full record. Many of that proud galaxy of stars that scintillated so brightly in 1928 and 1929 have shrunk forever below the horizon.

The object of this comparison is only to present a representative list rather than a complete one or a selected one of those showing the best results. Several omitted have made relatively good showings; but on the average results vary largely as the records of the companies tabulated, all of which had originally, or soon after formation, a capital of over 10 million dollars.

Figures of paid-in capital cannot be taken as precise in all cases. It should also be noted that in the determination of asset value various courses have been employed in the different companies, as the footnotes indicate. Many trusts have returned a greater or less proportion of their capital by repurchase of their own bonds, preferred and common stocks. Others have merged with similar companies on various contractual terms. For these reasons, reduction of values is not exclusively due to losses realized or unrealized and it is therefore not possible to arbitrarily determine percentage losses and closely rate the managements in relation to one another.

Broadly speaking, however, it may be said that a reduction of not over half of the paid-in capital is a comparatively good showing. For, according to THE MAGAZINE OF WALL STREET'S Combined Average of Common Stocks, the general market decline from the peak of 1929 to the low of 1932 amounts to 89%.

Few of the management trusts have experienced such drastic capital reductions as this, and where such percentage has been approached, the reason seems to have been the handling of a nominal management company on fixed trust principles, or positive mis-management, or in a very few cases fraudulent purposes on the part of sponsors or managers. The pronounced disfavor into which management trusts fell in 1930 and 1931 clearly can be attributed to the extreme disappointment of the stockholders occasioned by the inordinately exaggerated hopes entertained in the golden glow years of the magic ease with which Wall Street potentates could pile up millions in profits. The opportunities offered to enter such an enchanted garden under the guidance of the arch genii themselves were tremendously alluring. Consequently, the reaction at the sad discovery that financial wizards are only fallible humans like everyone else has been correspondingly bitter. Time, which eventually converts emotional reactions into logical ones, has been needed to develop a fairer and clearer perspective. In this light, the overwhelming advantage of investment management, even fallible management, as most management is, over mechanical investment is conclusively proved by the events of the past three years. Without citing figures in detail, the comparison of the course of general market values with those of even poorly managed trusts, reveals the inherently, incurable defects of the rigidly fixed trust.

What seems to have happened to us is that in our intensely human personal bitterness against the individuals sponsoring and managing the original trusts, we jumped out of the frying pan into the fire of impersonal, mechanical investment as if no management were a cure for, or an improvement over, even fallible but conscientious management. There is an old Western exhortation—"Don't shoot the piano player, he's doing the best he can" that seems duly applicable to a large number of management investment companies, especially those which have weathered the gales in reasonably seaworthy shape. Because a principle, sound in itself and demonstrated over a 50-year period in Scotland and England to be sound, was applied in the United States at such an ill chosen moment of history, the peak of a great bull market, and so abused by the initiators as to make the judicious weep, is no sound reason in itself for discarding the principle and turning to an untried one, a priori unsound, and now rather well demonstrated by events to be unsound over any appreciable period. What the average buyer of fixed trust stocks overlooks is that what he is purchasing is hindsight rather than foresight.

There seem to be many reasons for believing that investment management, either via management trusts or individual or corporate counsel, is a function that will from now on hold a recognized and important place in American business life. Surplus, although scarce at the moment, are tending to accumulate faster than attractive opportunities to secure a steady 6% return, hence sound investment is with us becoming more difficult and important. Business is becoming much more complex and international in scope although at present international trade is very much out of joint. Both of these facts stood out conspicuously in 1928 and 1929. They will re-appear in the future.

The investor's problem will continue to be how best to manage his or her own funds, or how to select a manager or a counsellor. Clearly, a specialized talent will be the answer. Seldom does the individual business man or heir have the time or ability to perform such a special function wisely any more than he can successfully be his own lawyer or doctor. The investment manager giving his whole time and for that matter his whole life to this serious problem is worthy of his hire, not to speculate care freely in the stock market, but to conserve and increase in sound ventures funds entrusted to him or invested according to his counsel on a contractual basis.

Some hints as to the factors to be looked for in selecting a desirable investment company may be drawn from the painful experiences of the past few years. The outstanding one, perhaps, is that such a company should operate exclusively in the interest of its shareholders and not be used for collateral interests. It should command, or be able to command, exclusive skilled talent at a reasonable cost per unit of the fund managed. It should provide a means of enabling the shareholders to withdraw at will with a fair price for his interest.

In examining the balance sheets of investment companies, it will be noticed that while the majority are rather fully invested in common stocks, an increasing number have in

Asset Value of Leading Management Trusts

	Date Incorporated	Approximate Original or Paid in Capital (In millions of dollars)	Approximate Market Value of Assets Dec. 31, 1931 (In millions of dollars)	Approximate Market Value of Assets June 30, 1932 (In millions of dollars)
Adams Express Co.	1918-1929	73.	25	
Aldred Investment Trust	Nov., 1926	12.	5.2	
American, British & Cont. Corp.	Nov., 1926	19.5	7.4	
American Capital Corp.	May, 1928	15.3	7.	3.3
American European Securities Corp.	Oct., 1926	16.	*10.5	4.98
American & General Securities Corp.	Oct., 1928	17.	*5.7	*3.3
Atlas Corp.	July, 1929	..	*56.9	‡*53.3
Blue Ridge Corp.		127.5	*46.9	*28.
Continental Shares, Inc.	March, 1926	150.	31.	19.3
Fourth National	Aug., 1929	24.	13.4	9.6
General American Investors	Sept., 1929	39.	17.2	12.1
General Public Service Corp.	Dec., 1925	15.5	12.3	7.9
Goldman Sachs Trading Corp.	Dec., 1928	175.	*51.1	36.9
Guardian Investors Corp.	1925	11.	2.6	
Int. Securities Corp. of America	June, 1927	70	*30.	*12.
Inv. Co. of America	1926	14.	6.4	
Lehman Corp.	Sept., 1929	†100.	44.3	32.5
Mayflower Associates	May, 1929	18.	9.9	8.
National Bond & Share Co.	Feb., 1929	10.	6.8	
Newmont Mining	May, 1921	50.	15.6	
Old Colony Inv. Trust	Jan., 1927	11.5	5.9	
Petroleum Corp. of America	Jan., 1929	100.	15.3	
Prudential Investors	Jan., 1929	18.75	**7.8	**5.9
Reynolds Inv. Corp.	March, 1928	11.	4.8	
Selected Industries	Dec., 1928	100.5	33.66	22.4
Shenandoah Corp.	July, 1929	164.5	16.	9.
Standard Inv. Corp.	Jan., 1927	20.	8.7	6.6
State Street Inv. Corp.	1924	15.	7.8	6.
Sterling Securities Corp.	Feb., 1928	35.	12.	9.7
Tri-Continental Corp.	1929	100.	31.5	26.7
United Founders Corp.	Jan., 1929	285.	**180.9	**43.4
U. S. & Foreign Securities Corp	Oct., 1924	50.	24.5	*19.4
Utility & Industrial Corp.	Feb., 1929	38.	17.	7.8
Utilities Equities Corp.	Nov., 1928	22..	8.7	5.

† Original capital of 1,000,000 shares reduced to 782,100 shares Dec. 31, 1931, and to 686,900 shares June 30, 1932.
* Partly estimated. ** Partly cost. ‡ April 30.

the past two years built up a more or less substantial cash, or its equivalent in short term Government bonds, position. This is especially important in the case of companies having bank loans, outstanding bond or note obligations or preferred stocks with provisions requiring a certain asset coverage. In the case of "straight" equity companies, that is, those without leverage, it represents merely the management's judgment of the relative value of securities and cash at any particular moment. It seems clear now that securities were worth more than cash last June. Whether they are today, or will be in December or next spring is another matter. The conversion of securities into cash and vice versa is an important index of the ability of managers to judge values in general as contrasted with their ability in the selection of individual securities and one which is worth much more attention than it has received. The ability to sell as well as to buy for sound financial reasons should by no means be confused with trading in the market to catch chance price fluctuations.

"Non-Leverage" Investment Trust Stocks

	Price Range Dec. 31, 1931	July 8, 1932	Sept. 10, 1932*	Recent Price
Fourth National Investors	20	12⅛	22⅜	18
Goldman Sachs	3⅝	1⅜	4⅞	3
Lehman Corp.	37¼	31⅛	51⅞	44
Mayflower Associates	28	20	30	30
Newmont Mining	11⅞	4⅝	28⅞	16
Natl. Bond & Share	20	18½	30	25
U. S. & Foreign Pfd.	41	31	64¾	44
General Market Average	30.0	17.5	45	32

* High for week.

Together with this important test, the judgment shown in incurring and protecting fixed or short term loans and in selecting individual issues as evidenced by several years record should afford a good basis for comparing relative managerial ability and integrity.

In the smaller tables of listed management company stocks, concerning which no recommendation whatever is implied, the market movement of their shares is compared with THE MAGAZINE OF WALL STREET's Common Stock Average and also the price ranges of non-leverage stocks, that is, those that have no senior fixed obligations ahead of them, are contrasted with those of the "leverage" equities.

It is obvious from these that the leverage stocks fluctuate much more marketwise than the non-leverage stocks. The greater fluctuations of Goldman Sachs and Newmont are doubtless due to bank loans in the case of the former, acting as a lever and to a small bank loan in the case of the latter and also its propensity to fluctuate with the price of copper and other metals which move freely up and down.

These tables bring out graphically the speculative characteristics of the leverage equities, a quality which works heavily against them while the trend is downward and equally in their favor when the trend reverses. The contraction of bank loans, it is also apparent, endows an equity with many of the advantages and disadvantages of senior fixed obligations during the period of the loan. For the speculatively inclined, the leverage stocks are attractive compared with the more sedate movement of the general market, but if the emphasis is placed on stability and marketability, the "straight" equities hold the greater appeal, especially when they evidence the versatility of the management in taking advantage of secondary market swings.

"Leverage" Investment Trust Stocks

	Price Range Dec. 31, 1931	July 8, 1932	Sept. 10, 1932*	Recent Price
Adams Express	4⅛	2	9½	6¼
American European	10	4	15½	9¼
American Founders	⅝	½	2¾	1⅜
American International	5⅛	3	12	8
Atlas Corp.	4⅝	5	11⅜	7
Blue Ridge	1¼	⅝	4½	3
General Public Service	3¾	1⅛	6⅞	4
Prudential Investors	6	2	7⅜	4¼
Tri-Continental	3	1⅞	5½	4
Shenandoah	2	⅛	4¾	3¼
U. S. & Foreign Securities	3¼	1⅛	6¼	4¼
United Founders	1⅞	⅝	3⅛	1⅞
Utility Equities	1¾	½	4⅛	2
General Market Average	30.0	17.5	45.0	32

* High for week.

To illustrate the effects of leverage for the benefit of those who have a hazy idea of how it operates in terms of value and market price, three examples may be taken, one of a high leverage equity, one of a medium degree and one "straight" equity. All have a capital fully invested, say, of $10,000,000 and worth in the market the same amount. The capital of the three companies is represented as follows:

	No. 1	No. 2	No. 3
Bonds	$5,000,000	$2,000,000	
Preferred	3,000,000	4,000,000	
Common	2,000,000	4,000,000	10,000,000

A 20-per-cent decline in market prices which affected all alike, of which we have had many instances in the past three years, would wipe out the common stock asset value of the No. 1, reduce the asset value of the common of No. 2 by 50 per cent and of No. 3 by only 20 per cent. Vice versa, a 20-per-cent rise in the market would double the common stock asset value of No. 1, increase No. 2 common by 50 per cent and No. 3 common by only 20 per cent. A 50-per-cent market decline would threaten the solvency of No. 1 company, make the managers of No. 2 somewhat anxious, but leave No. 3 stockholders regretful for their 50-per-cent loss, but with their chance of a comeback in no way threatened. In fact, by borrowing $2,500,000 on the remaining $5,000,000 equity, if thought wise, they could restore their original capital with only an approximate 25-per-cent rise in the market. It is due to this set of facts that leverage stocks in a declining market have tended to sell below their asset values in accordance with the speed with which the latter can be wiped out, i. e. in accord with the *degree* of leverage. In a definitely rising market, we should expect such stocks to sell well ahead of their asset value which has the advantage of increasing faster than the

(Please turn to page 56)

BONDS

Stimulation of Bond Prices by Cheap Money Offset by Political Considerations

Irregular Trend Expected in Principal Groups

By J. S. Williams

THE recent decline in money rates to unprecedented low levels has imparted a slightly more hopeful tone to the bond market, although the moderate rally in average prices evident at this writing does not importantly alter the irregular trend of reaction shown by the market since the third week of August. The average decline from the high point of the summer is approximately 4 per cent.

It is virtually impossible, however, to picture accurately the "trend" of so diversified a market by any citation of "average prices." The highest grade bonds, most directly affected by money rates, remain very close to the highest quotations established on the recent recovery. Gilt-edged utilities have shown virtually no recession. Such leading investment rails as Atchison general 4s and Union Pacific first 4s are approximately 2 points under former highs.

Second grade and speculative bonds, on the other hand, have receded substantially during the last month, aggregate reaction in various issues ranging from 10 to 20 points. Since a considerable degree of speculation was involved in the sharp summer recovery, there is, of course, nothing surprising in such a reversal. As usual, it corresponds to the speculative pattern of the stock market.

Throughout the market the volume of business is small and all classes of bonds reflect a certain degree of indecision and hesitation. Apparently the favorable influence of decided ease in the money market is offset by political and business uncertainties for the time being. There is an inclination on all sides to delay decision until after the election.

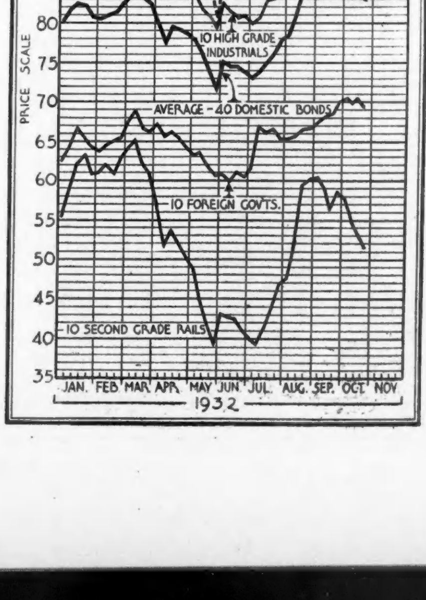
Actually, there is no logical reason to assume that the result of the election will be of much immediate concern to the investment market. Indeed, it will necessarily leave many uncertainties facing us, to be cleared up later in the year at best.

Unfortunately, there will be no moratorium on politics. The action of Congress, which will assemble in December, is of far more direct importance to the bond market than the question of who is to occupy the White House. The problem of the current large deficit in the Federal budget will have to be dealt with by means of governmental retrenchment larger revenues from taxation, or both.

Nor is this problem the sole source of uncertainty. Under existing conditions of public dissatisfaction it may be taken for granted that the usual assortment of doubtful, if not disturbing, legislative experiments will arise for discussion, including the veterans' bonus and a variety of farm relief nostrums.

Since these matters relate directly to the Federal finances and the national credit, the manner in which they are dealt with is necessarily of importance both to the security markets and to general business. It would be surprising if these uncertainties failed to exercise at least some retarding influence on business activity.

In any event, it is generally agreed that the seasonal business improvement evident to date is not conclusive proof of an imminent revival of such scope as would substantially alter underlying security values. Indeed, the seasonal business recession normal at the year-end should throw considerably more light on our real position than has the third quarter upturn. The outcome will be especially important in relation to second grade bonds, particularly a large number of rail issues, in which the maintenance of values depends vitally upon a not too distant recovery in corporate earning power. Under such circumstances the policy of investment caution recently recommended in these pages should be continued.



Indicative of the prevailing uncertainty and regardless of abnormally low money rates, new financing remains at very low ebb. Indeed, prevailing money rates and the concentration of investment demand into either short term obligations or a few of the highest grade bonds are symptoms of business stagnation and of investment timidity.

There is a good demand for the

(*Please turn to page* 61)

The Magazine of Wall Street

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities, we have "starred" those which appear to us currently the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Atlantic Coast Line									
1st Cons. 4s, 1952	155	51	2.6	1.9	1.3	95	78	5.9	Reasonably well secured issue.
Gen. Unif. "A" 4½s, 1964	155	34	2.6	1.9	1.3	99½	67	7.1	Junior to the 1st Cons. 4s and prior liens thereto.
A. C. L. R. R. Louisville & Nash. Coll. Tr. 4s, 1952	155	35	2.6	1.9	1.3	91½	53	9.2	Secured by 596,700 shares L. & N. R. R. currently worth $20 a share.
Chesapeake & Ohio									
★1st Cons. 5s, 1939	224	30	4.6	4.3	3.5	104½	104	4.3	First mortgage on the best part of the system. Highest grade.
Gen. 4½s, 1992	224	50	4.6	4.3	3.5	100¼	96	4.7	Subject to some $42 million prior liens.
Ref. & Imp. 4½s, 1995	224	35	4.6	4.3	3.5	..	81	5.6	Subject fairly large prior liens, but sustained earnings reassuring.
Erie Railroad									
★Cons. Prior Lien 4s, 1996	283	35	1.8	1.3	.9	88	75	5.4	Unlikely to be disturbed under any circumstances.
Con. Gen. 4s, 1996	283	72	1.8	1.3	.9	82¼	49	8.2	Junior to prior lien 4s.
50-year Conv. 4s, 1953	283	21	1.8	1.3	.9	89½	38	12.3	Prior liens total $152 million.
Ref. & Imp. 5s, 1975	283	109	1.8	1.3	.9	98	29	..	Junior to the three issues above.
Chic. & Erie 1st 5s, 1982	283	12	1.8	1.3	.9	106	90	5.6	A well secured bond.
New York Central R. R. Co.									
Cons. 4s, 1998	670	68	4.0	2.3	1.0	93⅛	72	5.6	Reasonably strong holding.
Conv. Deb. 6s, 1935	670	12	4.0	2.3	1.0	108¾	59	..	Unsecured. Speculative.
★N. Y. C. & H. R. mtge. 3½s, '97	670	94	4.0	2.3	1.0	86	75	4.7	Senior to the two issues below. High grade.
N. Y. C. & H. R. Deb. '04 4s, '34	670	48	4.0	2.3	1.0	97⅞	72	..	Ranks with Cons. 4s, '98, and ahead of Ref. & Imps., 2013.
N. Y. C. & H. R. Deb. '12 4s, '42	670	9	4.0	2.3	1.0	96⅞	81	6.9	
N. Y. C. & H. R. Ref. & Imp. "A" 4½s, 2013	670	200	4.0	2.3	1.0	100½	49	9.2	Hardly an investment present conditions.
N. Y. C. & H. R. Lake Shore Col. 3½s, '98	670	23	4.0	2.3	1.0	81¾	68	5.1	High grade.
★N. Y. C. & H. R. Mich. Ct. Col. 3½s, '98	670	19	4.0	2.3	1.0	80½	71	4.9	Mtge. secured. Also $16,819,000 Mich. Ct. stock.
Lake Shore & M. S. 1st 3½s, '97	670	50	4.0	2.3	1.0	81½	78	4.5	High grade.
Chic., Ind. & Sou. 50-yr. 4s, '56	670	15	4.0	2.3	1.0	94⅜	62	7.4	Medium grade.
Cleveland Short Line 1st 4½s, '61	670	12	4.0	2.3	1.0	99¾	80	5.6	Secured valuable property. Strong bond.
Jamestown F. & C. 1st 4s, 1959	670	11	4.0	2.3	1.0	92	75	5.9	"Medium to high" grade.
Michigan Central 1st 3½s, 1952	670	18	4.0	2.3	1.0	85⅜	86	4.6	High grade.
Clev., Cin., Ch. & St. L. Gen. 4s, 1993	153	33	2.0	.8	1.0	112	76	5.3	Senior to issue below. High grade.
Ref. & Imp. "E" 4½s, 1977	153	60	2.0	.8	1.0	100½	49	9.3	Junior to issue above and prior lns. thereto.
Northern Pacific Rlv.									
★Prior Lien 4s, 1997	310	106	2.5	2.2	1.6	91¾	83	4.8	Strong, well secured issue.
Gen. Lien 3s, 2047	310	55	2.5	2.2	1.6	67½	63	4.8	Junior to the prior lien 4s.
Ref. & Imp. "B" 6s, 2047	310	145	2.5	2.2	1.6	114⅜	79	7.6	Junior to two issues above. Medium grade.
Pennsylvania R. R.									
★Cons. 4½s, 1960	608	93	2.3	1.9	1.3	100½	99	4.6	Subject only to small divisional issues. Strong investment.
Gen. 4½s, 1965	608	285	2.3	1.9	1.3	100⅛	80	5.9	Junior to the consolidated mortgage bonds. Reasonably good investment.
Sec. 6½s, 1936	608	60	2.3	1.9	1.3	111	101	6.2	Secured by pledge gen. mtge. bonds.
Sec. 5s, 1964	608	50	2.3	1.9	1.3	105½	85	6.1	Secured pledge $58 million div. pay. stocks.
Deb. 4½s, 1970	608	60	2.3	1.9	1.3	..	66	7.1	Unsecured obligation. Standing rests directly on earning power.
★Alleghany Valley Gen. (now 1st) 4s, '42	608	20	2.3	1.9	1.3	95	92	5.0	High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Alabama Power									
1st 5s, 1946	97	71	2.8	2.3	1.9	104¾	96	5.4	Most of this issue pledged under the 1st Lien & Ref. bonds. High grade.
1st Lien & Ref. 5s, 1951	97	24	2.8	2.3	1.9	102¼	94	5.5	Prior in lien to the 1st & Ref. bonds.
1st & Ref. 4½s, 1967	97	63	2.8	2.3	1.9	96½	80	5.9	Junior issue with considerable merit.
Appalachian Elec. Pwr. 1st & Ref. 5s, 1956	85	63	2.3	2.2	2.0	99¾	91	5.5	Reasonably sound holding.
Arkansas Power & Light 1st & Ref. 5s, '56	35	33	2.6	2.3	2.2	98	86	6.1	Sound medium grade issue.
★Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1960	97	85	3.2	2.7	2.8	103¼	108	4.5	Impressive earnings record—high grade.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.5	6.1	6.2	105¼	105	4.6	Exceedingly high grade investment issue.
Brooklyn Union Gas									
★1st Cons. 5s, 1945	39	15	3.0	3.2	3.4	106¼	108	4.3	Subject only to insignificant prior liens.
1st & Ref. "A" 6s, '47	39	6	3.0	3.2	3.4	118	113	3.9	Junior to 1st 5s, but still high grade.
Deb. 5s, 1950	39	18	3.0	3.2	3.4	..	102	4.9	Strong obligation, tho unsecured by mtge.
★Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.7	5.3	5.4	90½	94	4.3	Columbia Gas controls—highest grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
★Commonwealth Edison 1st "F" 4s, 1981	180	175	3.8	3.7	3.3	..	86	4.7	New financing successfully accomplished. Issue should now do better. High grade.
Con. Gas of New York									
Deb. 4½s, 1951	368	340	5.3	5.5	4.9	..	97	4.7	Unsecured obligation of a strong company.
Westchester Lighting 1st 5s, 1950	22	9	5.3	5.5	4.9	105⅝	106	4.5	Highest class.
N. Y. & Westchester Ltg. Gen. 4s, 2004	22	10	5.3	5.5	4.9	..	92	4.3	Junior to West. Lighting 1st 5s.
Duke Power 1st & Ref. 4½s, 1967	64	40	3.7	3.0	2.7	97½	96	4.8	Strong issue—interest charges well earned.
Indianapolis Power & Lt. 1st "A" 5s, 1957	38	38	2.9	2.7	2.5	99⅝	93	5.5	Reasonably safe holding.
Kansas City Power & Light 1st 4½s, 1961	41	41	3.8	3.7	4.0	..	101	4.4	High grade investment.
Massachusetts Gas Cos.									
20-yr. 5½s, 1946	41	16	2.5	2.6	2.2	104½	90	6.6	These issues are equally secured, tho not
Deb. 5s, 1955	41	25	2.5	2.6	2.2	..	85	6.2	by mtge. Better grade.
Boston Con. Gas Deb. 5s, 1947	11	11	3.7	4.3	3.5	103	103	4.7	Well protected by restrictive provisions.
Milwaukee Elec. Ry. & Light Ref. 1st (now 1st) 5s, 1961	64	64	3.4	2.9	1.9	101⅝	80	6.5	Medium grade issue.
★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.2	3.2	3.1	100¼	103	4.3	Gilt-edged.
New York Steam 1st 5s, 1951	28	28	2.2	2.3	2.7	99½	101	4.9	Open mortgage. Better grade.
Philadelphia Electric Co.									
1st 5s, 1966	165	56	2.9	3.1	3.2	105⅞	107	4.7	Highest grade.
1st Lien & Ref. 4½s, 1967	165	34	2.9	3.1	3.2	100⅛	102	4.4	Pledge of 1st 5s make this almost as strong as issue above.
1st & Ref. 4s, 1971	165	59	2.9	3.1	3.2	..	95	4.2	Strong issue.
Philadelphia El. Pr. 1st 5½s, 1972	165	35	2.9	3.1	3.2	105¾	105	5.2	Not obligation Phil. El. Co. Better grade.
Pacific Gas & Electric									
★Gen. & Ref. 5s, 1942	307	36	2.5	2.4	2.4	103¼	103	4.6	Prior in lien to the 1st & Ref. bonds.
1st & Ref. "F" 4½s, '60	307	170	2.5	2.4	2.4	..	96	4.7	Strong investment issue.
California Gas & El. Unif. & Ref. 5s, '37	307	12	2.5	2.4	2.4	103	104	3.9	Exceptionally well secured issue.
Sierra & San Francisco Pwr. 1st 5s, '49	307	11	2.5	2.4	2.4	101	96	5.4	Reasonably strong investment.
Sierra & San Francisco Pwr. 2d 5s, "B," 1949	307	8	2.5	2.4	2.4	..	85	6.2	Junior to the 1st 5s.
Great Western Pwr. 1st 5s, 1946	19	19	1.8	2.0	2.3	100⅞	102	4.8	High grade.
San Joaquin Lt. & Pwr. Unif. & Ref. "D" 5s, 1957	34	33	2.4	2.4	1.9	102	93	5.5	Reasonably strong investment.
Public Service Corp. of N. J.									
Perpetual 6% Certificates	230	19	2.9	2.9	2.9	112B	111	5.4	Well secured by stock of subsidiaries.
Pub. Serv. El. & Gas 1st & Ref. 4½s, '67	119	91	3.9	4.0	3.8	100	103	4.4	High grade issue.
★United Electric N. J. 1st 4s, 1949	119	18	3.9	4.0	3.8	96	99	4.1	Underlies Public Service 1st & Ref. issues.
Southern California Edison									
Gen. 5s, 1939	138	13	3.3	3.3	3.2	104¼	105	4.2	Prior in lien to the Ref. bonds.
★Ref. 5s, 1951	138	120	3.3	3.3	3.2	102¾	102	4.8	High grade issue—Interest amply covered.
★West Penn. Power 1st "G" 5s, 1956	47	47	4.2	4.0	4.1	105	104	4.7	High grade investment issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
American Smelting & Ref. 1st "A" 5s, '47	36	36	12.6	7.1	1.5	102¾	90	6.0	Affected by chaotic copper situation—issue, however, possesses decided merit.
Dodge Bros. Deb. 6s, 1940	44	44	7.2d	1.1d	1.7d	105⅞	87	8.3	d Earnings Chrysler—Medium grade.
Goodyear Tire & Rubber 1st & Coll. 5s, '57	61	56	4.8	3.0	2.2	95	80	6.7	Better grade industrial issue.
Illinois Steel Deb. 4½s, 1940	30	19	26.2a	20.0a	3.4a	100	101	4.4	a U. S. Steel's earnings, guarantor.
Liggett & Myers									
★Deb. 7s, 1944	28	13	13.9	15.2	14.7	121⅛	119	4.9	Senior to the 5s of 1951.
Deb. 5s, 1951	28	15	13.9	15.2	14.7	104	107	4.5	High grade issue.
New York Dock 1st 4s, 1951	24	13	1.8	1.8	1.7	87¾	62	7.9	Earnings materially lower first half 1932.
Std. Oil Co. of N. Y. (Now Socony-Vacuum) Deb. 4½s, '51	99	50	17.7	9.0	.1	98⅛	97	4.7	Strong debenture, despite last year's slump in earnings.
★Std. Oil Co. (N. J.) Deb. 5s, 1946	173	90	19.7	7.4	3.2	103⅜	103	4.7	Industrial issue of the highest class.
Texas Corp. Deb. 5s, 1944	115	100	..	3.2	def	103	89	6.3	Medium grade—oil outlook improved.
Tobacco Prod. (N. J.) Coll. Trust Deb. 6½s, 2022	36	36	..	..	..	..	93	7.0	Secured by pledge of a lease agreement with Am. Tobacco—interesting issue.
Union Gulf Coll. Trust 5s, 1950	60	60	..	3.0b	def b	..	99	5.1	b Gulf Oil (Pa.) earnings, virtually guarantor of issue.
Western Electric Deb. 5s, 1944	35	35	6.9	4.3	3.3	105	100	5.0	Strong issue, though co.'s present earnings believed poor.

Short-Term Issues

Company	Due date	Amount of this issue (millions)	Fixed Charges times earned† 1930	1931	Recent Price	Yield to Maturity	COMMENT
Bethlehem Steel P. M. & Imp. 5s	7.1.36	25	4.3	1.0	96	6.5	Steel industry badly depressed—Issue now but medium grade.
★Consumers Power 1st & Ref. 5s	1.1.36	33	4.5	3.7	105	3.5	Exceedingly high grade issue.
★Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.9m	3.7m	105	3.6	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	125	3.2	3.2	102	4.1	Company enjoys a fine credit standing.
Northern Rly. (Cal.) 1st 5s	10.1.38	5	2.1q	1.2q	96	5.8	q Earnings Sou. Pac. guarantor. High grade.
★Southern Pacific R. R. (Cal.) 1st 5s	11.1.37	4	2.1r	1.2r	100	5.0	r Earnings Sou. Pac. guarantor—High grade.
Texas Power & Light 1st 5s	6.1.37	25	2.2	2.0	101	4.8	Safe investment.
Third Avenue R. R. 1st 5s	7.1.37	5	1.6	1.9	90	7.6	Among the stronger traction issues.

★ Our preferences in above list. † Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc.

LOUISVILLE & NASHVILLE

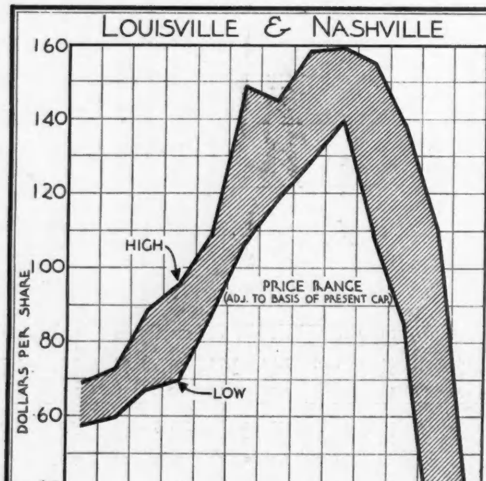
Waits Only for General Improvement

Conservative Management and Past Record Attest Potentialities for Recovery on Moderate Traffic Gain

By Pierce H. Fulton

A LITTLE more than thirty years ago a man came out of the Central West into Wall Street. In the part of the country that had been the center of his activities up to that time he had been known first as a marvelous salesman, then as a large stockholder and important official of a company that was soon to become one of the most important subsidiaries of the United States Steel Corp.

The first of the so-called "Billion Dollar Trusts," was not in existence when John W. Gates came to New York from Chicago. J. P. Morgan, the elder, had that gigantic undertaking in the making. Gates took an active part in its organization. He had to be dealt with for he held control of the American Steel & Wire Co. He sold out to the "Big Trust" and then opened one of the largest, and for those days, one of the most active, stock exchange houses in the Street.



John W., father, Charles G., son, familiarly known as "Charlie" and "Bet You a Million" Gates, did many sensational and spectacular things during their comparatively brief careers in New York's financial district.

Gates, the elder, having heard that a prominent international banker, who had been the recognized head of the Louisville & Nashville Railroad for years, and some of his associates, had "gone short" of a block of new L. & N. stock that has been authorized by the directors but not issued to the stockholders, thought he saw a chance to catch them in a tight place and also to acquire control of the road. Although he really had no use for the property, and was in no sense a railroad man, this plunger in stocks, and in everything in which there was a gambler's chance, "pitched in" and bought great quantities in the open market of the old stock outstanding, enough to give him at least "working control."

In the meantime the new stock had not been issued and the international banker and his friends found themselves in a most embarrassing and critical predicament, as they were not able to get stock with which to make deliveries on the "short contracts" into which they had entered in the open market.

As in the case of the Northern Pacific corner, which grew out of the titanic struggle between E. H. Harriman and James J. Hill to acquire control of that property, settlement with the "shorts" was taken to the elder J. P. Morgan. The Louisville & Nashville situation was arranged on the best terms possible, Mr. Gates' stock was taken over and control of the property in due time was lodged with the conservative Atlantic Coast Line Railroad Co. This transaction was actually consummated through the purchase by the latter company of 306,000 shares of the 600,000 shares then outstanding. With stock dividends declared in the meantime, Atlantic Coast Line now owns practically $60,000,000 of the $117,000,000 Louisville & Nashville stock authorized and issued. The original deal was put through as of November 1, 1902.

In the nearly 30 years that have in

tervened Louisville & Nashville has been under conservative ownership and management, the same as it was before John W. Gates made his spectacular plunge into the shares in the open market and acquired at least technical control for a brief period. For years, until his death at the age of 83, in 1931, Henry Walters, as chairman of both the Atlantic Coast Line and Louisville & Nashville, dominated the policies of both companies. In reality, he controlled personally the two properties. The Atlantic Coast Line Co., a Connecticut corporation, owns control of the stock of the Atlantic Coast Line Railroad Co. The latter, in turn, owns a legal majority of L. & N. stock outstanding, as we have seen already. Mr. Walters, as the owner of the controlling interest in the Atlantic Coast holding company, likewise, in turn, controlled the two railroad companies.

His management was conservative but aggressive and up to date, as was that of his father before him in the Atlantic Coast Line Railroad Co. The two roads have had strong men as presidents, who had direct charge of operation and with whom Mr. Walters never interfered. Milton H. Smith was recognized everywhere for years as one of the outstanding old school railroad leaders. His headquarters were in Louisville, Kentucky. Only a few people in New York City knew or ever saw the man. But he was eternally "on the job" as president of L. & N. and got the results that made possible its enviable dividend record and high credit for so many years.

Present Conservative Management

The present president, W. R. Coles, is regarded not only as a strong man for the L. & N. but is a commanding figure, who speaks with commanding voice at all the general meetings of railway executives that are held at frequent intervals to discuss and act upon the many and big problems with which the railroads of the United States are confronted. He was the presiding officer at the most recent of such meetings, held in New York City the first week in October, to consider the question of reducing the wages of unionized labor on the railroads after the present agreement for one year, calling for a deduction of 10%, expires February 1, next.

The Louisville & Nashville has been a railroad for many years, for it was chartered under Kentucky laws in 1850. The main line was opened November 1, 1859, or 73 years ago, lacking a few days. From small beginnings through the construction of new lines and the purchase or leasing of others, the property has grown until the average operated mileage in 1931 was 5,265. It will be practically the same for this year.

The road serves such important cities as Louisville, Nashville, St. Louis, Cincinnati, New Orleans, Birmingham and Pensacola. They are all big traffic-producing centers. In between are other important traffic-producing areas, notably the bituminous coal fields which, in 1931, contributed 59.49% of the company's total freight business.

The following are Louisville & Nashville's principal owned or leased roads: Chicago, Indianapolis and Louisville, 644 miles, a majority of whose stock is owned jointly with Southern Railway, and which the Baltimore & Ohio wanted to include in its system under the general consolidation plan for the eastern roads. Nashville, Chattanooga & St. Louis, of which a majority of the stock is owned by L. & N., and which has 946 miles of line. Georgia Railroad and subsidiaries, leased jointly by L. & N. with Atlantic Coast Line, and which had 554 miles in operation last year, Carolina, Clinchfield & Ohio also jointly leased the Atlantic Coast Line, 309 miles.

As the L. & N. serves the South Central States and the Atlantic Coast Line the South Atlantic States, the two roads together make a well-rounded system, having a natural and profitable interchange of freight and passenger traffic. As already shown, bituminous coal supplies about 60% of the total freight business of Louisville & Nashville. This commodity, with other products of mines, yielded almost 73% in 1931. Manufactures and miscellaneous freight came second with 13.23%. Products of agriculture represented 6.12%, forests 4.87%, animals and products 0.86%—altogether 97.78%, the remaining 2.22% being what is known as "L. C. L.," or less-than-carload-lot freight.

Louisville & Nashville's bituminous coal business was off 6,290,000 tons in 1931 compared with 1930. For the first 7 months of this year there was a further shrinkage. Just recently, however, there has been a picking up in this class of traffic from the Kentucky fields, because of the strike of bituminous miners in Illinois.

Many Factors Favorable

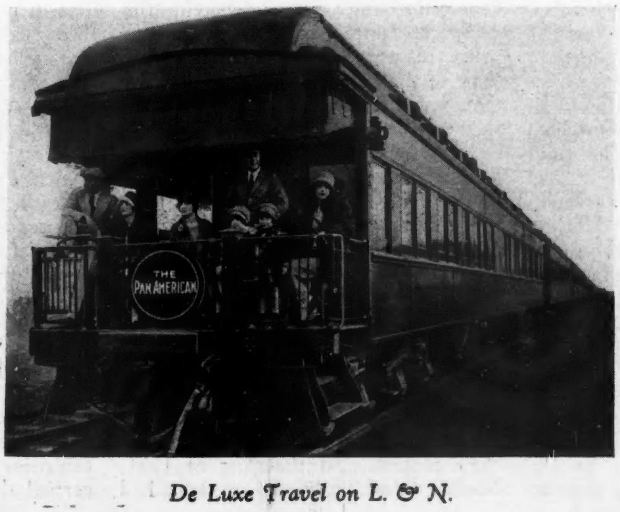
The lines of the L. & N. are favorably located to get freight traffic of many kinds, and likewise passenger traffic, when they are to be had. The capitalization of the road is moderate. It is not burdened with a heavy funded debt, as fixed charges in 1931 amounted to only $10,428,000. As industry recovers still further and there is a corresponding increase in the demand for bituminous coal, L. & N.'s gross earnings should expand accordingly.

Expenses have been reduced to a low level. The number of employees, for instance, is only about half what it was in 1929. Because of the extent to which expenses have been brought under control, net profits should be large in proportion to improvement in gross earnings. That this will be possible was shown by the statement for August. With a larger movement of coal, for the reason already given, the falling off in gross was considerably less than it had been in previous months, while the net was $853,253, or only $100,000 less than for the corresponding month of 1930.

In other words, the L. & N. has a plant with which to make money, as it did for so many years, before the present period of depression. All that is needed is more traffic.

For years this company paid liberal dividends at rather widely varying rates. Disbursements were begun as early as 1860, only one year after the opening of the main line. For that year payments totaled 6%. In the early

(Please turn to page 54)



De Luxe Travel on L. & N.

What To Do With Insull Securities

Collapse of Huge Utility Pyramid Involves Securities which Vary in Worth Between Sound Bonds of Strong Operating Companies to Thin Equity Stocks, Common Stocks of Holding Companies

By Francis C. Fullerton

In response to a multitude of questions as to the wisest course to pursue with regard to securities involved in the Insull pyramid, we have prepared this unbiased appraisal of the situation. The accompanying table and the companies discussed in the body of the article show the current position and recommended procedure for holdings in the principal companies in which there is large popular security interest.

THE aftermath of the Insull utility collapse finds a host of uncomfortable investors in the multitudinous companies controlled by this group with securities drastically depressed in price as a result of the stigma of actual or possible default or receivership.

Actual receivership has already occurred in the case of the major holding company of the Insull utilities, the Middle West Utilities Co., as well as in a number of the intermediary holding companies of this vast system which spreads itself over thirty-two states of the Union. The two huge investments companies created by the Insulls, the Insull Utilities Investments and Corporation Securities, have also collapsed.

Although a reorganization of major scope must undoubtedly be consummated, with its many complicated problems regarding the rights of the different creditors and security holders, yet many of the underlying issues of the Middle West system occupy a sound position with respect to assets and earnings which entitle them to be rated as reasonably sound issues, which should not be disturbed. The reorganization gives no promise at the present time of being rapidly consummated, so that holders of different issues may be obliged to wait for a considerable time before knowing the eventual status of their holdings.

To Sell or Hold?

Awaiting the development of this reorganization, many security holders, whether of the sound or the defaulted issues, are uncertain what to do. Should they continue to hold their issues, or are the prospects such that it is advisable to sell even at the severe losses which present prices mean in most cases?

A sound underlying issue with good security and earning power should not be sacrificed at these low levels. In other instances switches would be advantageous into issues wherein the prospects appear better for ultimate price recovery. The quotations of some of the defaulted issues are so low that very little can be realized from their sale at present prices, and in such cases it appears advisable to continue holding even though the prospects seem remote for recovery. There is at least the chance that some special factors may come to light later in the reorganization which may cause a considerable betterment in prices.

The great confidence, misplaced though it was, which the investing public had in the Insulls is strikingly shown by the more than 250,000 stockholders and tens of thousands of bondholders in the various companies under their control. At the close of 1931, Middle West Utilities Co. alone had 99,500 shareholders, a gain of 56% during the two depression years of 1930 and 1931.

Beside the Middle West Utilities Co. and the two investment corporations above mentioned, the Insull utility empire consisted of one other holding company system, Midland United Corp., and three operating companies, Public Service Co. of Northern Illinois, Commonwealth Edison and Peoples Gas Light & Coke, the two latter serving the city of Chicago and environs with electricity and gas respectively.

The total assets of the utility companies within the Insull fold at the end of 1931 amounted to over two billion dollars—Middle West with 1,100 millions, Commonwealth Edison with 310 millions, Midland United with 310 millions, Peoples Gas with 170 millions and Public Service of Northern Illinois with 150 millions. The two investment corporations at their peak in 1929 had assets of some 400 millions. The gross revenues of the utility properties exceeded 350 millions of dollars annually.

Effects of Middle West Collapse

With the collapse of Middle West Utilities and the two investment companies, Insull Utilities Investment and Corporation Securities, the issues of the companies directly involved slumped to the vanishing point, although for some weeks previously prices were reflecting the imminence of this occurrence.

The effect of the collapse, however, was more sinister than this because not only were the value of the underlying securities of the Middle West system carried down sharply even though in

Status of Some of the Important Issues of the Middle West Utilities System

Company	Security	Interest or Pfd. Divd.★ (times earned 1931)	Market Price	COMMENT
Middle West Utilities Co.	5% Notes due 1932-35 $6 Preferred Common	1.10 1.04	7 (d) 2 ⅝	The top holding co. of the Insull utilities. Hold bonds as speculation; preferred and common of doubtful value.
Central and South-West Utilities Co.	$6 and $7 Prior Pfd. $7 Preferred (Cum.) Common	1.36† 1.24†	n. q. 9 1½	No dividends on prior and preferred stocks. In view of low price, however, hold these issues for speculative possibilities.
American Public Service	7% Preferred	1.1	12	Preferred dividend omitted July, 1932. A very thin issue of intermediary holding co., but would not sacrifice now.
Insull Utility Investment	Deb. 5s/49 and 6s/40	....	1½ (d)	An investment co. holding Insull utility stocks. Heavy bank loans make bonds of doubtful value.
National Electric Power Co.	Deb. 5s, 1978 6% and 7% Pfd. Class A Common	1.13 1.09	5¼ (d) 3 ⅛	Preferred and Class A of doubtful value; hold bonds as speculation at these levels.
National Public Service Co.	Deb. 5s, 1978 7% and $3½ Pfd. Class A Common	1.31 1.18	22 (d) 2 n. q.	Bonds secured by pledge of certain subsidiary stocks. Value of Preferred and Class A in reorganization doubtful. Hold as speculations.
Altoona & Logan Valley Elec. Rwy.	Cons. 4½s, 1933	1.14	16½ (d)	Chiefly a traction property, but some electricity. Bonds are first mortgage. Hold for present.
Seaboard Public Service	$6 and $3¼ Pfd.	1.27	5 & 3	Intermediary holding co. In receivership, but preferred might be held for speculation because of present low price.
Virginia Public Service Co.	1st and Ref. 5½/46, 5/50 Deb. 6/46 7% and 6% Preferred	1.72 1.30	67 58¼ 46	These bonds and preferreds of this underlying company in fairly secure position, with fair margin of earnings.
New England Public Service	$6 and $7 Prior Pfd. $6 and $7 Pfd. $6 Conv. Pfd.	1.29 1.16 1.13	20 14 n. q.	Prior lien preferreds in fair position, but earnings coverage for preferred and convertible preferred narrow.
Northwest Utilities Co.	7% Prior Lien Pfd. 7% and $6 Pfd.	1.22 1.08	22 16	Earnings coverage for prior lien preferred not very large. Hold in view of low price.
United Public Utilities Co.	First Lien 6/47 and 5½/47 $6 Pfd.	1.35 1.07	34 4	In receivership, but October interest paid. At price over 40, might switch into other issues.
United Public Service Co.	Coll. 6s/42 Deb. 6½/33	1.10 1.10	9¼ (d) 5 (d)	A very thin equity for bonds, but hold for some possible recovery.
West Texas Utilities	1st Mtge. 5s, 1956	1.59	50	First mortgage on properties supplying chiefly electric service to a large number of smaller communities. Reasonably sound security.
Public Service of Oklahoma	1st Mtge. 5/61, 5/57 Prior Lien Pfd.	2.21 1.58	75 54	Bonds are a sound security of a company which supplies chiefly electric service to some 113 communities. Preferred in fair position.
Southwestern Gas & Electric	1st 5s and 6s 7% and 8% Pfd.	2.79 1.70	76½ 64	Bonds secured by mortgage on property furnishing chiefly electric service. Preferreds in fair position.
Central Illinois Public Service	1st 4½, 5, 6s $6 Pfd.	2.01 1.29	72 34½	Bonds reasonably safe investments secured by mortgage. Margin of earnings on preferred not very liberal.
Kentucky Utilities	1st 5s, 5½s, 6½s 6% Pfd.	2.13 1.61	80 56	Bonds and preferred stock in comfortable situation with respect to earnings.
Jersey Central Power & Light	1st & Ref. 5s, 4½s 5½%, 6%, 7% Pfd.	2.81 1.72	92 75	Bonds and preferred stock sound investment mediums of operating company.
Florida Power Corp.	1st 5½s/79 1st 5½s/56	1.51	58	Bonds reasonably safe investment, secured by mortgage. Earnings margin not very large.

★ Interest and preferred dividend coverage figured on an "over-all" basis. (d) Payment on issue has been defaulted.
† No recent quotation available.

many cases intrinsically sound, but the securities of strong companies, identified with Insull interests but not part of the Insull pyramid such as Commonwealth Edison, Peoples Gas, and Public Service of Northern Illinois, were also severely depressed. These three operating companies are by standards of comparison, conservative units in the utility field, and no undue apprehension need be felt concerning their future. Their outlook has not been darkened by the crash.

RAMIFICATIONS OF THE INSULL INTERESTS

It may puzzle many people why the shrewd Samuel Insull, the head of the vast Insull utility enterprises and, since the pioneering days in public utilities back in the 1880s, so successful in his undertakings, should have been caught in such a huge failure. But for one thing, he plainly misjudged the duration and the severity of the present depression. During 1930 he expanded his Middle West Utilities by large scale acquisitions and continued to do so until well into 1931, financing this expansion largely by bank loans and short term notes.

Middle West Utilities Co. itself was a complicated utility pyramid representing the top holding company piled up on a series of intermediary holding companies. Some of the operating units were four steps removed from Middle West, indicating a very thin equity in the earnings and the property of the system

The immediate cause for the collapse of Middle West was the inability or impending inability to meet a large issue of maturing notes. But even before this occurred, the two investment companies found themselves in dire circumstances as a consequence of depressed value of their portfolios and large bank loans which were seriously impaired. The investment companies were organized in 1928 and 1929 to "perpetuate the control of the present management of Middle West and the Chicago operating companies" and each of them held large blocks of securities in various of the Insull companies.

The climax came in the Spring of 1932, when various maturities had to be met. Conditions in the bond and the money markets made refunding virtually impossible and with no funds to meet the maturing issues, the day of reckoning arrived. It is quite possible that had the system been able to arrange for its bank loans and maturities that the Middle West Utilities Co. could have weathered the depression. As it is, reorganization will take place, affecting chiefly the top and the intermediary holding companies, and to a lesser extent, or not at all, the operating companies.

Even if Middle West Utilities had been able to keep itself in a financially solvent condition, difficulties with respect to the continuance of the payment of dividends and perhaps interest on some of the issues in the system would have been experienced because of the decline in earnings of the system. This decline in earnings was felt more by the intermediary and top holding companies than by the operating companies, because of the pyramidal scheme of the system's set-up.

At the base of the pyramid structure are the operating companies. Superimposed on these are the intermediary holding companies, and on top of these the Middle West Utilities Co. The intermediary holding companies were planned along regional lines. The financial pattern of the system was such that a change in the earnings of the operating properties would be considerably magnified in terms of the intermediary holding company securities and the securities of the top holding company.

Roughly, 75% of the operating companies' capitalization consisted of interest or fixed dividend bearing securities and only 25% in common stock. The latter in most cases is wholly-owned by one or another of the intermediary regional holding companies, which in turn is similarly capitalized, i.e., 75% of its capitalization in fixed income bearing securities. The common stock of the intermediary holding companies, finally is held by Middle West Utilities Co., the top holding company.

It is obvious that in a financial scheme of this nature, the farther away a security is from the actual operating properties, the thinner the margin of earnings and the safety of the security. The operating company bonds and preferred stocks occupy the best position, and indeed, most of the operating company securities of the Middle West system are in a fairly sound position.

It is in the intermediary holding companies and the top holding company where the chief havoc has occurred. The decline in the earnings of the operating companies had proceeded far enough to impair to a considerable degree the margin of safety of their own bond and preferred stock issues. The effect on the intermediary and top holding companies, however, became greatly magnified leaving these in serious plight.

In determining the status of the different securities of the Middle West

(*Please turn to page 61*)

Buying On Red Ink

Unusual Opportunities Offered in Unusual Times to Investors With Foresight and Courage

By J. C. Clifford

In these days when so much weight is accorded to present earnings and those immediately in prospect it is peculiarly interesting to examine that large group of companies who are currently bereft of profits, in order to discover those organizations with possibilities for substantial recovery. Among them lie possibilities of substantial price enhancement.

PERHAPS the best known method of evaluating common stocks is by means of earning power. Yet, it cannot be taken as the only yardstick of value. Earning power alone is no guarantee of safety and what is more the security buyer who proceeds entirely on this basis is certain to neglect numerous attractive opportunities for substantial profit.

It sounds logical, of course, that the more a company earns the more its stock should be worth. And equally logical that a rough and ready ratio should be decided upon in order to simplify the rule's application. But how is it that U. S. Steel proved to have been easily worth $120 a share in 1924 when its earnings were in the neighborhood of $12 and is considered now to have been grossly overpriced at $250 in 1929 when its earnings were $21.19 a share? Other examples of the same inconsistency are easily found among our very best companies. In 1921, for example, Union Pacific earned slightly more than $12 a share. Anyone buying it at the year's high of $130 a share put himself in a position to profit greatly at some later date. In 1929, was $300 a share too much to pay for this same stock which reported earnings of $20.37 a share and had in addition substantial "equity" profits? Well, as it turned out it was, but not on the old price-times-earnings rule.

When "Nobody Wanted Them"

The most cursory review of past history shows that there is infinitely more money lost in buying high earning power for a high price than in buying low earning power for a low price. Both Steel and Union Pacific did nobly by purchasers who risked their capital when the outlook was anything but encouraging, and earnings nonexistant. But purchasers who waited for the highest of earnings and the best of outlooks fared far less satisfactorily than those who had sufficient foresight and courage to risk a moderate sum on their ultimate future. From this it follows that the nearer a company is to bankruptcy, provided it has the industrial position and prospect and the financial strength to ultimately make good, the more profitable it will be to a purchaser of its stock. Let us take a few haphazard examples from the past where it has been profitable to obtain an interest in a losing concern, when figures were all in red ink.

In the depression of 1921, scores of companies reported deficits only to be numbered among the blue chips of the subsequent boom. Anaconda copper reported a deficit of nearly $14,000,000 before fixed charges for the year. Yet a purchaser of the stock even at the year's high was later given ample opportunity to liquidate his holdings at much higher levels. In 1921, the American Smelting & Refining Co. failed to earn preferred dividends by a wide margin. The common stock which could have been bought for $30 sold at the equivalent of nearly $400 eight years later. The Atlantic Refining Co., which had been paying dividends at the rate of $20 a share reported a large operating deficit in the last depression and was in the "red" again in 1923. But no one who paid $1,000 for the stock in 1921 had cause to regret it in later years. Sears, Roebuck reported an operating loss of more than $16,000,000. The company quickly recovered, however, and even today's price is equivalent to more than double that for which it could have been bought in 1921.

Other examples are not difficult to find. U. S. Industrial Alcohol, Vanadium, Loose-Wiles, Mathieson Alkali, all employed red ink in the last depression. Jewel Tea proved to be a star performer. After the war the company found itself in serious difficulties. In 1920, the loss of $2,300,000 for so small an organization was very serious. The $100, 7% cumulative preferred stock sold below $8 a share and the common at $3. But the company came back. Large dividend accumulations on the preferred stock were paid off and the issue eventually redeemed at $125 a share. A $300 speculation in the common, plus subscriptions to new stock costing $3,300, was at one time worth nearly $20,000. Even today it is worth in the neighborhood of $7,500.

Not Always Red vs. Black

It is not intended, of course, to give the impression that a deficit is necessarily a buying signal. The purchase of American Woolen in 1924 on the strength of a handsome deficit would only have been attended with unfortunate results, for the company has

used red ink in every year since. Then there are always those curious cases which it is difficult to explain. For example, Continental Motors, which was thought to be well entrenched in the field, lost money in 1921 and never did anything very wonderful afterwards. But General Motors, which was not much of a company at that time and whose surplus was impaired to the extent of $65,000,000 in 1921, recovered in such style that it soon proved a loss of this kind to be of little moment.

The selection of the last depression as a base for demonstrating the profitable possibilities in a company which is losing money is perhaps less biased than one would think. After all, the most logical time for a sound company to lose money is in depression. There will be few indeed sound, well-managed concerns operating at a loss at a time when general business is booming and if one should be encountered in the future the prospective purchaser would do well to investigate with the utmost thoroughness before actually committing himself.

In Red Ink Now

At the present time, business is undoubtedly depressed. There will be no difficulty in finding companies which are losing money. Many, however, will undoubtedly emerge from their troubles and again be profitable. Some will even scale new heights if precedent means anything at all. Let us attempt a selection of the most promising.

The problem is essentially one of finding those which have been temporarily stranded by the ebb of the business tide and which will float again when it rises. Those who are ill-equipped to wait the turn and those aground amidst the flotsam and jetsam which high on the beach mark the extreme height of the greatest boom ever known, must be avoided. A desirable company is one engaged in a business which must necessarily improve sometime, rather than one which would probably not reflect even general betterment. It would have been unwise for example, to have purchased an interest in harness manufacture during the depressions of 1907 and 1913.

On the other hand, there are certain businesses which are chronic depression sufferers, but which will nearly always recover in the long run. Because depression is always accompanied by a drastic decline in prices—perhaps the decline in prices is depression—the companies in this class will be those which are obliged to carry big inventories. Large retailers provide excellent examples. It was the price decline that caused Sears, Roebuck to lose so much money in the depression of 1921 and it was a price decline which caused the same company to make markdowns totalling $4,600,000 in the retail division alone during the first half of the present year.

Yet, no one can seriously doubt that retail trade will improve materially at some time or another. For individual businesses it is merely a question of being able to weather the present storm. In the case of Sears, Roebuck the company's strong financial position, entire lack of funded debt and well-entrenched position in the field, lend every assurance that it will emerge successfully, just as it did from the unpleasant experience of the last depression.

There are other companies, losing money at the moment, which are similarly situated. The electrical equipment field, depressed as it is, must sometime again be profitable. Here, the Westinghouse Electric & Manufacturing Co. might well be a logical choice. At the end of last June, the company owed no money either in the form of bank loans, notes, or bonds. Its total current assets amounted to more than $94,000,000 whereas current liabilities were less than $6,000,000. True, the loss for the first nine months was $5,917,250, but it must be remembered that during the period the company did more than $58,000,000 worth of business and there will surely come a time when even this comparatively low volume can be made profitable again. The company has already over the past two years put into effect economies in indirect expense which are estimated to have resulted in monthly savings exceeding $3,400,000.

Selected Companies Currently in the "Red," Which Merit Investors' Consideration

Company	Approx. Book Value per Share	Recent Price
Amer. Radiator & Std. Sanitary	$14.40	$7
American Rolling Mill	35.80	10
Bethlehem Steel	137.50	17
Central R. R. of N. J.	433.00	70
New York Central	152.80	22
Northern Pacific	183.20	16
Sears, Roebuck	38.20	18
Southern Pacific	183.80	18
Westinghouse Electric	80.60	25

The steel industry is another field which must recover eventually. In this, so far as losing money is concerned, there is a wealth of material from which to choose. Indeed, of the major companies there is apparently only one not in the "red." For our purposes, U. S. Steel, Bethlehem Steel, Youngstown Sheet & Tube and American Rolling Mill are all candidates. Taking into account the price for which the stocks of these companies are currently selling, Bethlehem Steel and American Rolling Mill appear to offer the greatest possibilities. The latter was discussed in a recent issue of THE MAGAZINE OF WALL STREET. The former, while undoubtedly hard hit, has expanded rapidly in recent years and is now so powerfully entrenched in the field that the ultimate recovery might well be a brilliant one.

Depressed Industries

The country's railroads comprise yet another basic industry currently suffering the hardships of the condemned. Here, the danger of receivership taking place before the eventual improvement is much more likely than in other fields. Nevertheless, there are a number of roads where this is improbable. Northern Pacific, for example, will fail to earn fixed charges this year if one excludes outside interests. Yet, receivership for this property appears a very remote possibility. Southern Pacific or the small Central Railroad of New Jersey are others where the prospect is not over-obscure. Of the big eastern systems, New York Central undoubtedly possesses possibilities as an out-and-out speculation, despite the fact that it possesses a formidable floating debt, which either must be liquidated or funded before the common stock can reasonably expect to receive anything in the way of a dividend.

Those with faith in the ultimate recovery of the building industry, might possibly consider the purchase of American Radiator & Standard Sanitary Corp. While this year will almost certainly result in a formidable debit to the company's earned surplus account, it is well able to do this without disastrous results. Also, one must not forget that the aggressive entry into the air cooling and conditioning field might well result in a fair measure of prosperity without any marked pick-up in construction itself.

Though one admit that (*Please turn to page* 68)

Safe and Attractive Income With Favorable Prospects

THE selection of companies whose prospects are good and whose stocks afford a reasonably safe and large return in the midst of a depression as severe as the present one is a difficult problem. It is easy to discover issues affording a high yield. But a moment's investigation will usually show that there is a reason for an excessive return; it is far from safe. In such cases the dividend is being paid either wholly or partly out of a surplus which is already feeling the strain. Then there are those companies whose ultimate future can hardly be doubted, but which at the moment feel that the better part of valor is the conservation of cash resources. These are useless to the man dependent upon the income from his investments to make good a deficiency in other income. He demands a fair and safe return on his capital. At the same time, it is most desirable to take a position which is not wholly devoid of prospective price enhancement based on growing profits. To meet these requirements, the listed security markets have been combed and six issues which, in our opinion, come nearest to satisfying them are presented herewith. It will be seen that they represent widely different fields of industry and we therefore suggest that advantage be taken of this condition by avoiding undue concentration.

Coca-Cola Co.

Price — 1932 High	Low	Recent	Div. $	Yield %
120	74⅛	92	7 plus	7½

Working capital per share **$13.96**

Latest earnings per share (6 mos. to 6/30/32) **$5.08**

COCA-COLA is unique. In its forty-six years of existence, it has seen literally hundreds of other beverages come and go. These others are introduced, advertised, become popular for a time — and then die. But Coca-Cola's sales establish new high records with almost monotonous regularity. Coca-Cola has seen prohibition in this country come, and perhaps benefited to some small extent. Yet, should prohibition go, there is every reason to believe that such a change would prove of no more than passing inconvenience, for the trend of Coca-Cola sales are almost perpendicularly upwards in Canada, Cuba and other foreign countries where the joys of prohibition are unknown.

No attempt will be made to assign a reason for Coca-Cola's phenomenal success. It is advertised; but so are other beverages. It is cheap; so are others. It has a distinctive flavor and quenches one's thirst; so do the others. Let it suffice that Coca-Cola has been profitable, is profitable, and promises to be profitable in the future. The company has grown from nothing to an enterprise which is appraised in the open market, even by today's pessimists, around $125,000,000.

On an earnings basis, the appraisal is not an excessive one. Last year, a net profit of more than $14,000,000 was shown, which is considerably more than 10% on the market's appraisal. For the first half of this year, the company reported a net profit of $6,123,537, comparing with $6,438,896 in the corresponding previous period. In view of the fact that the company's earnings in 1931 established a new high record, the moderate decline shown this year is not particularly alarming. On a per-share basis, last year's earnings were equivalent to $11.82 after all charges and dividends on the Class A stock, while the profit shown in the first half of 1932 was equal to $5.08 a common share, against $5.40 a share in the first six months of 1931.

At the present time, the Coca-Cola Co. is paying a regular dividend of $7 a share annually, in addition to which an extra of 25 cents quarterly is usually declared. There is every reason to believe that both these payments will be covered with a comfortable margin to spare in the current year. To be conservative, however, it might be good policy to consider the extra not entirely assured. On the basis of a $7 dividend Coca-Cola common yields more than 7½% at the current price of $92 a share. On an $8 basis the yield is more than 8½%.

Further assurance that a satisfactory dividend will be maintained by the Coca-Cola Co. is to be derived from a glance at the company's latest balance sheet. At the end of last year, despite the fact that there was purchased in the open market 88,874 shares of the company's Class A stock, current assets totaled $17,196,000, while current liabilities amounted to only $3,239,000. The Coca-Cola Co. has no funded debt. The only capital liabilities comprise 1,000,000 shares of Class A stock entitled to preferred dividends at the rate of $3 annually, and 1,000,000 shares of no-par common stock. Of the Class A the company itself owned 308,620 shares at the end of last year and has undoubtedly bought more since that time.

In the common stock of the Coca-Cola Co. the prospective investor will find a combination of high yield, safety and prospects, which is not easy to duplicate at the present time.

Beech-Nut Packing Co.

Price — 1932 High	Low	Recent	Div. $	Yield %
45	29¼	40	3	7.5

Working capital per share **$32.00**

Latest earnings per share (6 mos. to 6/30/32) **$2.29**

BEECH-NUT PACKING common stock is one of the few remaining old reliables that have maintained dividends through periods of depression and prosperity for more than a generation. Perhaps one powerful reason for this may be discovered in the circumstance that over half of the stock has been closely held for many years by President Bartlett Arkell, his family and business associates. Incidentally another 10% is owned by the Gold Dust

Corp., while the remainder seems to be so highly regarded by investors that it is not among the most frequent issues to appear in the day's quotations. In fact the market for this stock is often so thin that, if one places an order to buy or sell, it is well to put a limit upon the price.

The company's growth has been steady, but not especially spectacular. Incorporated in 1899, it has paid dividends without interruption since 1902 at a conservative rate, with occasional cash and stock extras. Whatever the company sells is among the best of its kind, and the Beech-Nut trade-mark has always stood for quality. Originally all efforts were concentrated upon high grade ham and bacon; but gradually other non-perishable edibles were added until now the menu includes beef, pork and beans, macaroni, spaghetti, biscuit dainties, peanut butter, coffee, tomato juice cocktails, canned tomatoes, chile sauce, tomato catsup, marmalade, confectionery, and chewing gum. Of recent years, however, over half of the company's sales, and an even greater proportion of the profits, have been in chewing gum and confections sold in five-cent packages. In fact the company is now one of the three largest producers of chewing gum.

Except for branches in England and California, and a paper carton plant in West Virginia, all of the company's production is concentrated in three factories located in New York State. Large sums are spent on advertising, and distribution is through chain stores and independent retail outlets throughout the United States and England. The company has a contract with the 3,300 United Cigar Stores, now in receivership, which runs until 1937; but this is doubtless profitable to the chain, and so, perhaps, will not be disturbed in the reorganization.

Per share earnings on the common reached an all time high of $6.06 in 1929; but have since declined considerably on account of diminished purchasing power of the general public, and losses on assets incident to the decline in commodity prices, foreign exchange, and investment holdings. The present dividend rate of $3 has been maintained since 1922, with occasional cash and stock extras prior to 1930. There are no bonds nor preferred stock ahead of the 446,000 shares of common, and the company is in exceptionally strong financial position. Cash, Governments, and marketable securities (at market prices on June 30, last) amount to seven millions compared with only 3¼ millions at the end of 1929. Thus a resumption of extra dividends appears likely after earnings recover with a return of general prosperity. Under present conditions, competition is obviously rather severe; but the company has always met this successfully and will doubtless continue in the future to more than hold its own. At present yield of around 7.5%, the common stock may thus be rated as a sound and attractive long-pull investment.

Bon Ami Co.

Price — 1932 High	Low	Recent	Div. $	Yield %
54	31	50	4	8

Working capital per share **$18.69**

Latest earnings per share (6 mos. to 6/30/32) **$5.35**

MANUFACTURING a well-advertised cleaning compound under the trade-mark "Bon Ami," the Bon Ami Co. and its predecessors have been exceedingly profitable for nearly fifty years. The present company dates from 1915. Since its formation there has never been an interruption in the payments of cash dividends. Today, the company is an important factor in the manufacture of cleaning compounds, both in this country and abroad. Plants are located at Manchester, Conn.; Montreal, Quebec, and Sydney, Australia. Feldspar, the principal raw material of the compound, is mined by subsidiaries in New Hampshire, North Carolina and Quebec. It is perhaps significant that the Bon Ami Co., despite a long and profitable life, has never gone out of its own line. The urge to expand has passed the company by and it has been content with a comparatively small, albeit a more than ordinarily satisfactory, business. This policy is in such marked contrast to that generally accepted that one can hardly help wondering whether there would not have been less corporate debris if it had been more universally followed. Disastrous expansion on the part of small, successful companies is far too frequent.

Capitalization is conservative. It consists solely of 100,000 shares of common "A" stock and 200,000 shares of common "B" stock. There is no funded debt. The "A" stock in which we are here primarily interested is entitled to non-cumulative dividends of $4 annually before the "B" stock receives anything. But after the "A" stock has received $4 and the "B" stock $2.50, all further dividends are distributed equally between the "A" stockholders as a class and the "B" stockholders as a class. The "A" stock is non-callable.

While the earnings of the Bon Ami Co. have been adversely affected to some extent by the depression and the consequent curtailment of public purchasing power, they are still ample to cover the $4 requirement on the "A" stock. For 1931, the company reported a profit of $1,272,776 after all charges, compared with $1,356,445 for the previous year. Last year's earnings applied directly to the "A" stock were equivalent to $12.73 a share. This shows the margin of safety for the $4 dividend. On the basis of maximum distribution, however, last year's earnings were equivalent to $5.86 a share. This shows that the extra of $1 paid last year on the "A" stock was about as generous as it well could be.

For the first six months of the current year, earnings applied directly to the "A" stock were equivalent to $5.35 a share, against $6.51 in the first half of 1931, while the maximum distribution was $2.42 and $3 a share respectively. It therefore will be seen that, although the decline in earnings during the current year makes little difference to the safety of the $4 dividend on the "A" stock, there is little chance of an extra under existing conditions. With a pick-up in business and earnings, however, the "A" stock will become eligible for extras just as rapidly as it has recently become ineligible under the peculiar provisions of its issue.

For its size, the Bon Ami Co. is very strong financially. At the end of last year current assets totaled $2,075,386, while current liabilities amounted to less than $200,000. Of the current assets more than $1,300,000 was in cash, or marketable securities at cost. The quoted value of the latter at the end of the year was some $100,000 less than cost, but as they comprised United States and Canadian Government, municipal and other high grade bonds, a large part of this paper loss has probably been made up since that time.

Currently, the "A" stock of the Bon Ami Co. is selling on the New York Stock Exchange at about $50 a share to yield 8% on the $4 dividend. In view of the fact that there is every indication of this being covered at least two-and-a-half times over in the present year, the return must be considered a liberal one. Also, one must not lose sight of the enviable position that the company has built for itself and that the "A" stock will participate in the profits from this position when general conditions again attain a degree of normalcy.

Brooklyn Union Gas Co.

Price — 1932			Div.	Yield
High	Low	Recent	$	%
89½	46	74	5.00	6.7

Working capital per share .... **Small**

Latest earnings per share (6 mos. to 6/30/32) **$3.68**

WITH 2,237 miles of mains and 715,000 active meters installed, the Brooklyn Union Gas Co. last year served an estimated population in two out of five wards of Queens borough and all but two wards in Brooklyn, New York City, with 23 billion cubic feet of manufactured gas. From this output it received an operating revenue of 25.3 millions of dollars, or an average of $1.10 per thousand cubic feet from all classes of customers. Net income after taxes and fixed charges last year was the equivalent of 24.7 cents per thousand cubic feet. Earnings before charges amounted to 10.1% on total stated assets, which is sufficiently large to render possible an agitation for reduction in rates in the not distant future, despite a downward revision in the summer of 1931 which was estimated to have saved consumers $400,000 annually.

In 1925, with operating revenue only 5.5% less than last year and under an average gas rate of $1.07 per thousand, profits before charges were 56.9% less than in 1931 and only 5.34% on total stated assets. Thus it appears that, with only a 3% increase in rates and in the amount of gas sold, profits before charges during the past six years have risen about 75% despite an increase of only 40% in invested capital. Obviously the explanation for this remarkably favorable showing is to be found in a tremendous gain in operating efficiency. Proceeding further in the quest for the cause of this great gain in efficiency the trail leads us directly to the big modern plant erected four years ago in the Greenpoint section of Brooklyn, whose operation has since enabled the company to dispense with two smaller plants which were uneconomical to operate.

The Greenpoint plant was originally financed through a $23,000,000 issue of short term notes, the retirement of which has just been completed with proceeds from the sale of $10,000,000 in 1st & ref. 5s, "B," '57. Prior to this issue, the company had an excess of current liabilities over current assets, owing to the early maturity of the remaining 7½ millions in short term notes; but by crediting to current assets the proceeds from the recent bond issue, it is estimated that there is now an excess of current assets over current liabilities. In 1929, the company contracted to sell its new Greenpoint plant to a Brooklyn subsidiary of the Koppers utility interests of Pittsburgh, which are reported to own about a quarter of the Brooklyn Union Gas common stock, with a further agreement that the latter company was then to purchase its gas and coke from the Koppers interests; but fortunately, perhaps, the Public Service Commission of New York refuses to approve the arrangement.

The company has a total funded debt of about 49 millions; but none of early maturity. There are no bank loans nor preferred stock ahead of the 741,000 shares of common outstanding, and fixed charges during the past 12 months were earned nearly seven times over, leaving an excess of earnings for the common of about 40% above dividend requirements. Thanks to continued gains in operating efficiency, per share earnings have held up well on the common during the depression, and it should appreciate gradually in market price with a return of general prosperity. Long pull holders, however, should weigh the possibilities of further rate reductions, and note that gas sales of recent years have not kept pace with the growth in population.

Monsanto Chemical Works

Price — 1932			Div.	Yield
High	Low	Recent	$	%
30¾	13⅜	25	1.25	5

Working capital per share **$12.08**

Latest earnings per share (6 mos. to 6/30/32) **$1.24**

THE advantages of a diversified business were never more clearly evident than in the case of the Monsanto Chemical Works. The company's heavy chemical division—which is the larger in point of sales volume—naturally fluctuates with general industry. The fine and pharmaceutical chemical division, however, is not only in itself more stable, but takes roughly one-third of the heavy division's output, thereby having an important stabilizing influence on the latter.

Monsanto Chemical Works is both a holding and operating company. Its own plants are located at St. Louis, Mo., and Monsanto, Ill. The former manufactures fine and intermediate chemicals, while the latter is mainly engaged in the production of heavy chemicals. As a holding company, Monsanto operates a laboratory at Akron, Ohio, and a plant at Nitro, W. Va. These are engaged in developing and manufacturing chemicals for the rubber industry. Through ownership of the Merrimac Chemical Co., Inc., it manufactures acids and other chemicals at Woburn and Everett, Mass.; through the Virginia Fertilizer Corp., chemicals and fertilizers are made at Norfolk, Va.; while through the Graesser-Monsanto Chemical Works, Ltd., with plants at Ruabon, North Wales, and Sunderland in England, the American company does an extensive foreign business. Normally, foreign markets contribute about one-quarter of gross revenues.

The capitalization of Monsanto Chemical Works consists of 429,000 shares of no-par common stock. Funded debt totaled $1,604,500 on June 30, 1932. For last year, the company reported earnings equivalent to $2.98 a share of common stock, compared with $1.73 in the previous year. The increased earnings in the face of an intensification of the depression partly represented a return to normal operations which had been interrupted by fire, partly the consolidation of the company's expansion and improvement program, and partly a general increase in efficiency. During the current year, however, further deterioration in general business offset to some extent these favorable factors. For the first six months, the company reported earnings equivalent to $1.24 a common share, compared with $1.56 in the corresponding previous period.

Nevertheless, even the reduced earnings for the first six months were almost sufficient to cover the full year's dividend on the common stock. On the basis of an annual dividend of $1.25 and the current price of $25 a share, the common stock of Monsanto Chemical yields exactly 5%. While this is not particularly high, it is more than usually well protected. Moreover, it must be remembered that the chemical industry is so constituted that it serves as a source of raw material for many other industries and because of this can hardly fail to reflect business improvement wherever it might obtain. If a chemical company is doing reasonably well under the present difficult conditions, it is a reasonable assumption that it will do vastly better as soon as conditions in general approach normalcy. Undoubtedly this prospect is being considered to some extent in the present price of Monsanto's stock.

In addition to an earning power which must be considered satisfactory under the prevailing conditions, Monsanto Chemical Works enjoys the advantages of a strong financial position. As of June 30, 1932, current assets

(Please turn to page 58)

For Profit and Income

A Possible Opportunity

Early next month the directors of General Motors will meet to consider dividends. While the report for the third quarter is not available at this writing, it is certain that the company's earnings for the first nine months of the year will fall far short of dividend requirements. For the first six months General Motors reported earnings equivalent to only 24 cents a share on its outstanding common stock. Under these conditions some reduction in the dividend is likely. It may even be omitted altogether. Such a development will react adversely upon E. I. duPont de Nemours & Co., Inc., which as a very large stockholder in General Motors is almost certain to base its dividend action in the middle of next month on what General Motors does in the first part of the month. Should General Motors omit, the threat of the duPont omission is likely to result in some selling of the latter's common and debenture stocks. duPont's debentures are currently quoted at par to yield 6% and the dividend on them was earned by the company's *own* business in the first six months of the year. Moreover, these debentures are the obligation of a company with no funded debt and which is in a sufficiently strong financial position to continue paying dividends on them for some time, regardless of the fact that such payments may not be wholly covered by earnings. It is suggested therefore that any sharp dip in the market price of duPont's debentures, resulting from the omission or reduction of the General Motors dividend, be considered a buying opportunity.

* * *

The Long Island's Bonds

The Long Island R. R. differs in many important respects from other roads. In the first place it is quite small, operating less than 400 miles of road. In the second place it derives nearly 70% of its gross revenues from passenger traffic. Finally, and most significant of all, it covered fixed charges, including rentals, 2.85 times over for 1931, and is estimated to cover the same items more than twice over in the present year. At the close of 1931, the Long Island's outstanding funded debt totaled $51,548,100. Of this, $26,770,000 was in the form of refunding 4s, due in 1949. These bonds are guaranteed as to principal and interest by the Pennsylvania R. R., and are currently quoted around 85 to yield nearly 5½% to maturity. While the Long Island undoubtedly has its problems and appears to be engaged in a perpetual battle with its commutors over fares, it seems extremely unlikely that any loss of traffic or court decision will take place to endanger the road's mortgage obligations. Moreover, there is the Pennsylvania guarantee to offset any such disaster. For the investor seeking a strong issue, albeit not absolutely of the highest class, the refunding 4% bonds of the Long Island R. R. might well be a satisfactory selection.

* * *

What Price Money?

Commodities, corporate earnings and business generally are not the only things which have plombed the depths during the present depression. Money must be included. At the present time, despite its apparent scarcity to most of us, money's rental throughout the markets of the world is so low as to be startling. Call money on the New York Stock Exchange fell to 1% per annum the other day. Except for once or twice in 1931, this is the lowest rate in nearly thirty years. United States Government Treasury issues in some cases today yield actually less than nothing, because there are people willing to pay a premium in order to assure themselves a full allotment in some coming issue. In London, 90-day bills have been discounted at ½% per annum. In Paris approved collateral commands privately a rate but little better. How long will it be before such abnormally low rates for money kindle a business revival? In the past, the last stages of every major depression was characterized by extraordinarily low interest rates.

* * *

Bonds and Receivership

A few weeks or months prior to the misfortune of a receivership, a company's stocks and bonds usually are sold heavily. But like everything else the selling is not infrequently overdone, with the result that the average individual holder of the bonds particularly, panicked into selling a few days before or a few days after the receivership announcement, obtains an abnormally low price. Had he waited, he might have done much better, for however bad a situation may be, rare indeed is the disaster which is not over-discounted—at least for the time being. For example, certain International Match debentures sold at ⅛, or $1.25 for $1,000 debenture, as the immensity of the Kreuger catastrophe was being brought out in the press. Later, however, they rallied to nearly 100 times this price on the strength of the sporting chance that something would be saved from the wreck. So many other bonds have acted in a similar way that it appears to be the part of good policy to continue holding a bond which has been held to imminent receivership, and definitely poor policy to sell a bond for almost nothing before the full details of the company's condition are available. The situation may be bad, but it is usually thought to be worse than it actually is; just as a bright situation is so often taken to be positively dazzling.

Taking the Pulse of Business

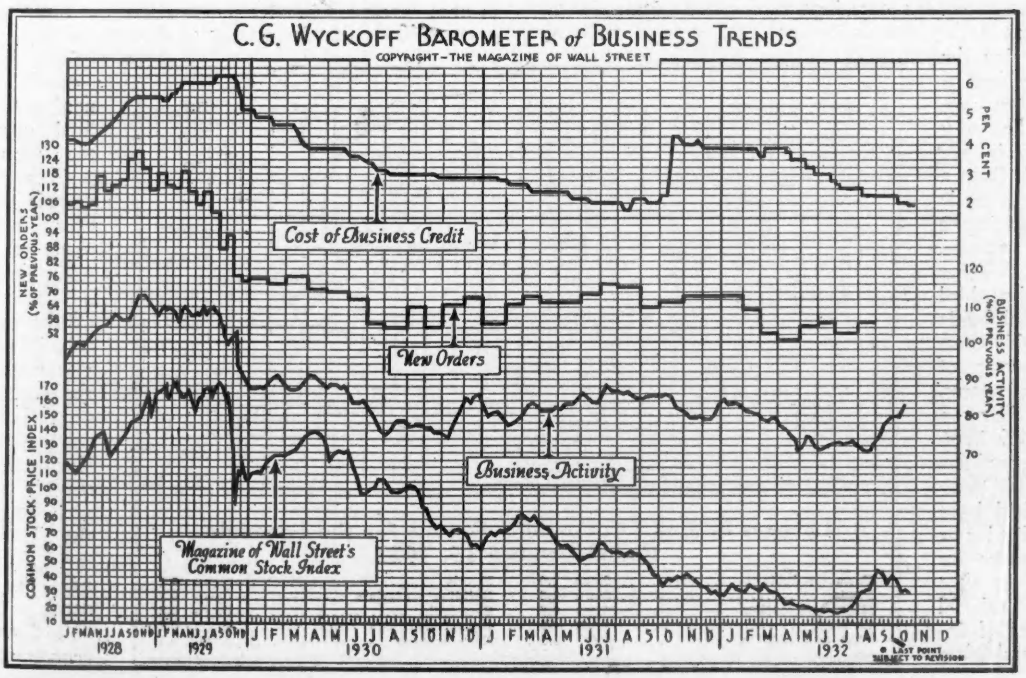
— Carloading and Electric Power Rise
— More Industries Show Moderate Gains
— Cost of Credit Eases
— Commodity Prices Reactionary
— Motor Industry at New Low

BUSINESS continues to make small but consistent gains in the face of political uncertainties and the reactionary tendency which has prevailed since August in the Common Stock Index and in the prices for basic raw materials. In fact the average physical volume of production and trade, as compared with corresponding activity a year earlier, would now be making the most favorable showing in over a year were it not for the more than seasonal decline in motor car production during the past few months and the rather sharp falling off in the volume of bank checks incident to smaller transactions and lower prices in the speculative markets. The majority of other leading industries, though mostly operating at an unprofitably low rate, have experienced steady, though slow, improvement since mid-summer. Steel mill operations, for example, are up to 20%, from 12%, of capacity; car loadings have gained 140,000, from a low of 500,000; soft coal output is 75% above the summer's low point; the cotton textile and leather shoe factories are doing an appreciably greater business than last year; conditions in the petroleum and chemical industries are strengthening monthly; while the output of electric power is only 9% below last year, against a decline of 14%, during July. Motor car plants, now almost at a standstill in preparation for the introduction of new models, are alone among the major industries in showing no gain in activity. Sales are ahead of production but this is due to the efforts of distributors to get clear of cars before the new models come out and it is not difficult under the sacrifices being made to exceed an output of scarcely 12,000 units a week.

In view of the persistent strength in the curve of Business Activity, a significant rise in New Orders should shortly be evident. Such a gain would constitute a favorable indication for the early months of next year after the inevitable and expected let-down toward the close of 1932.

In turning from industrial activity to basic conditions in the money market, one finds corroborative evidence that the stage is being set for accelerated business improvement next year, after perhaps a rather brief and relatively moderate seasonal recession during the approaching months of November and December. It is especially noticeable that the Cost of Business Credit is steadily easing throughout all the leading commercial nations of the world, and at home talk is being heard of a further cut in the discount rate. The purpose of such action would be largely psychological, however, since bank discounts are down to only 300 millions and even the country banks are borrowing less than a year ago from the Federal Reserve.

Insofar as the rather aimless character of fluctuations in the stock market over the past few weeks may be taken as a reflection of public opinion it would appear that neither business men nor investors, by and large, are greatly concerned over the outcome of the November elections. Neither of the Presidential candidates is a radical, and there is so much in common between the announced policies of both political parties that the vote this year is not expected to have any immediately depressing effect upon gen-



eral business conditions. This is not to say that politics is permanently out of the picture; for upon the action of the new Congress there waits an accumulation of unusually important economic problems to be solved, and upon the disposition made of such matters hinges the longer term outlook for the major industries.

The Trend of Major Industries

STEEL—Though most of the country's steel mills are still operating at a loss, gradual improvement in the outlook is evident in the slow rise in activity during the past few months. On an average, the industry is now operating at 20%, compared with the recent extreme low point of 12%, and prices are holding steady in most lines. While most of the incoming business is in small lots and from scattered sources, a moderate increase in railroad buying is looked for soon and then, after the turn of the year, orders will begin to come in from automobile centers, and from repair and new construction work to be financed by Government agencies. Sentiment in the trade has been much cheered by the opposition to tariff reductions recently announced by the Democratic candidate for the Presidency. Thus it would seem that the secular trend of the industry is now upward, though some seasonal recession in activity is to be expected during the final six weeks of the year.

METALS—About the best that can be said of the non-ferrous metal industry is that prices are holding barely steady around the lowest levels in history, in the face of an almost complete absence of demand. Inventories, though still abnormally topheavy, have shown an apparent decrease of small proportions during each of the past two months; but this is the result more of stocking by middlemen than of any appreciable increase in ultimate consumption. Statistically, zinc and tin (with inventories less than last year) are in the best position to profit by any upturn in new construction work; but recovery in copper and lead is likely to be exasperatingly slow.

PETROLEUM—Prospects for further improvement in the petroleum industry have been brightened by the recent order to resume curtailment of crude output in the East Texas field. The importance of proration measures in furthering the future welfare of the industry appears clearly when it is appreciated that a third of the crude production in the United States comes from Texas and another third from California and Oklahoma. As a result of the new restriction orders a number of independent refiners in the Mid-Continental field have advanced their posted prices for crude; but the Standard Oil companies of Indiana and New Jersey have refused to join the movement; because production still exceeds consumption in that area and the present low prices for gasoline do not warrant a higher price for crude.

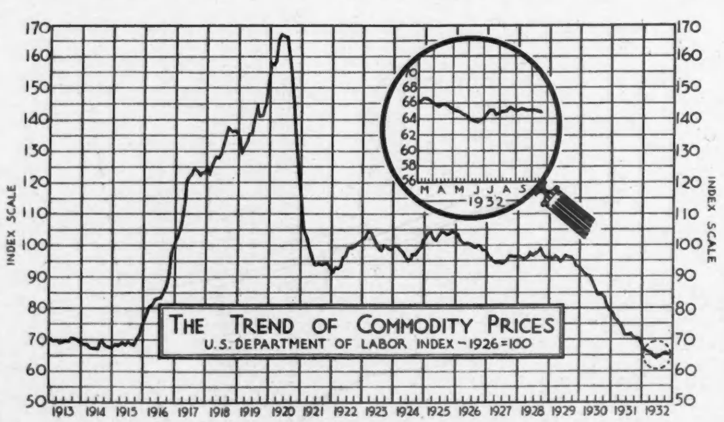
TOBACCO—Reduced acreage, plant disease, and hot and dry summer weather, have combined this season to reduce the United States crop of leaf tobacco to only two-thirds of last year's production, and the smallest since 1913. Owing however to slackened consumption, and growing competition from foreign grown leaf, the prices paid by domestic manufacturers are little higher than a year ago. Lower raw material costs and smaller outlays for labor and other material would thus add appreciably to profits realized by the larger manufacturers of cigars and cigarettes were it not for the recent appearance of the 20-for-10-cent packs of cigarettes which have sprung into sudden popularity because of their cheapness. Liggett & Myers is the only one of the "Big Four" producers which has entered this field as yet, and the bulk of the 10-cent package business is done by small independents.

CEMENT—The portland cement industry is operating at only 30.6% of capacity, compared with 50.2% a year ago. Moreover, it has been impossible to advance prices, quotations remaining at the low levels established by the price war last summer. The effects of slack demand in new building and road construction may cause even smaller operations and profits this winter.

COAL—Daily average bituminous output during the year ended October 1 was 912,000 tons, compared with 1,221,000 tons for the same period a year ago. Smaller railroad demand and lower utility operations were the principal causes of the slump. The daily average anthracite production for the same periods was 194,500 tons and 151,800 tons respectively.

Conclusion

While it is evident from the foregoing brief review of the present condition and outlook in a number of the country's leading industries that business is still greatly depressed in most lines, a distinctly upward trend is noticeable, and it seems likely that, regardless of election returns, earnings to be reported by a number of companies for the final quarter of the year will make a more favorable showing than previously when compared with results for a similar period of the year preceding. Next year, moreover, the improvement should become more pronounced if Congress deals sensibly with such vital questions as the bonus, the tariff, the currency, foreign debts, taxation, and Government economy.

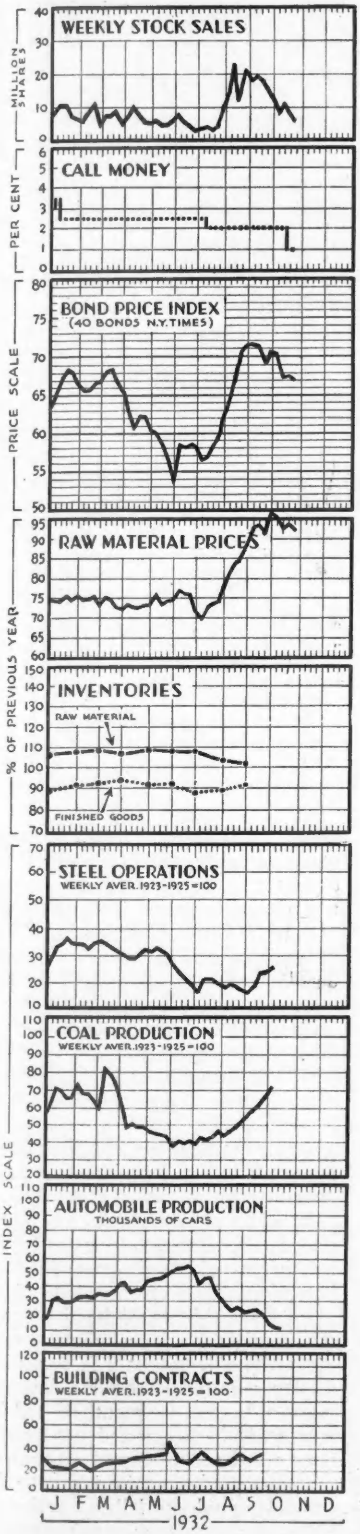


Changes in Major Commodity Groups for the Fortnight Ended October 15, 1932

Farm products	down	1.0	Metals	up	0.1
Foods	down	1.3	Building materials	down	0.1
Hides and leather	down	0.8	Chemicals	down	0.3
Textiles	down	1.5	Housefurnishings	down	0.2
Fuel and lighting	down	0.4	Miscellaneous	down	0.6

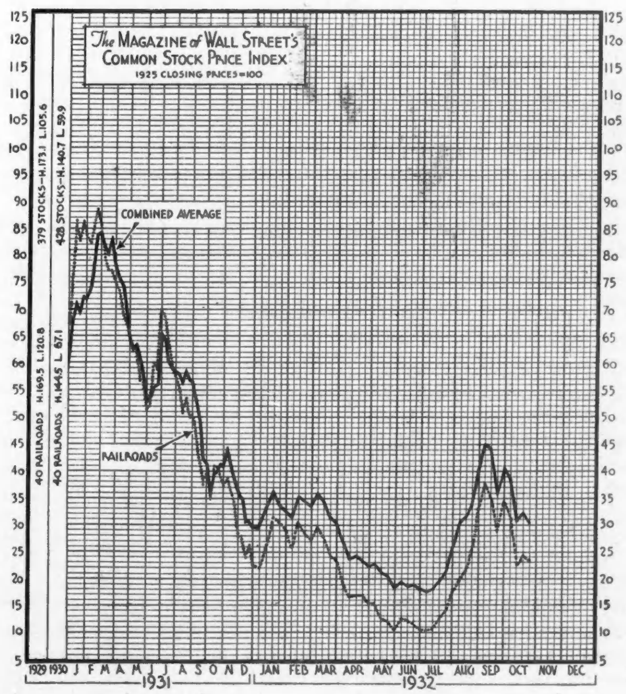
The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues		1932 Indexes High	1932 Indexes Low	Oct. 8	Oct. 15	Oct. 22
84.4	23.2	30.0	345	COMBINED AVERAGE	45.0	17.5	30.4	32.2	30.1
142.4	33.0	34.8	4	Agricultural Implements	66.8	17.9	40.0	39.3	38.0
121.2	19.7	21.2	7	Amusements	59.3	11.4	30.5	31.6	29.9
76.9	23.9	23.9	21	Automobile Accessories	31.3	10.7	21.0	21.6	20.1
37.0	12.1	13.1	16	Automobiles	17.6	5.8	12.2	12.3	11.5
74.2	22.3	31.7	4	Aviation (1927 Cl.—100).....	62.5	16.2	46.6	50.1	46.3
38.4	8.3	9.7	3	Baking (1926 Cl.—100)......	13.1	4.8	7.3	7.8	7.5
212.8	112.5	112.5	2	Biscuit	129.9	60.1	96.0	104.5	99.6
162.2	48.1	49.5	5	Business Machines	83.8	29.6	54.9	59.9	55.8
188.5	96.5	99.3	2	Cans	119.0	51.0	82.7	86.9	87.2
157.8	76.2	81.6	7	Chemicals & Dyes	113.3	53.6	88.1	93.2	85.6
71.8	20.8	21.4	3	Coal	44.3	13.1	28.3	28.2	27.4
73.7	18.9	19.5	19	Construction & Bldg. Mat....	24.8	9.9	16.6	18.4	15.6
92.4	30.1	30.2	11	Copper	57.2	14.9	32.5	34.4	32.2
98.0	45.8	47.2	2	Dairy Products	57.8	28.3	34.2	35.7	34.3
30.2	9.6	10.1	9	Department Stores	16.3	4.5	10.6	10.3	10.1
120.4	52.0	53.1	8	Drug & Toilet Articles......	74.3	35.1	52.6	58.3	53.6
149.3	44.7	46.9	5	Electric Apparatus	63.9	28.7	42.3	45.8	42.7
21.5	4.3	4.6	3	Fertilizers	10.2	2.2	5.4	5.9	5.3
91.3	40.8	41.7	2	Finance Companies	58.7	23.7	37.1	38.9	41.5
80.1	43.7	45.3	7	Food Brands	56.1	28.3	43.6	45.0	43.3
83.0	44.4	45.0	3	Food Stores	56.4	33.9	46.3	49.1	48.5
51.7	21.7	21.8	3	Furniture & Floor Covering..	48.1	11.7	25.6	26.0	22.4
45.5	16.6	17.0	5	Household Equipment	21.1	9.6	14.4	14.3	14.2
89.5	17.1	19.1	10	Investment Trusts	31.5	9.5	22.6	24.4	22.3
96.3	26.1	26.1	3	Mail Orders	27.4	7.7	17.8	19.7	17.8
69.2	22.3	23.4	31	Petroleum & Natural Gas...	42.4	21.6	31.5	34.3	31.9
68.8	12.7	13.0	4	Phonos. & Radio (1927-100)..	22.5	6.2	12.4	13.1	12.1
196.8	77.0	78.1	20	Public Utilities	94.9	37.1	65.5	68.9	65.2
73.1	20.6	21.2	10	Railroad Equipment	37.8	12.0	22.9	23.8	22.0
88.4	22.5	22.5	30	Railroads	37.8	10.4	22.3	24.4	23.3
100.7	41.8	41.8	3	Restaurants	44.4	14.9	28.7	29.0	25.3
38.0	8.8	8.8	3	Shipping	14.3	4.1	7.5	7.3	6.9
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.9	59.0	66.3	71.0	70.1
92.3	25.3	25.8	9	Steel & Iron	45.9	11.7	27.5	29.6	26.8
18.9	7.3	7.3	5	Sugar	12.4	3.8	7.7	7.3	6.7
218.0	84.2	89.5	2	Sulphur	121.6	53.6	94.7	100.1	94.2
132.4	44.5	44.5	3	Telephone & Telegraph......	57.2	21.0	40.5	42.5	39.6
46.0	16.1	18.2	5	Textiles	52.2	16.3	30.9	35.1	32.2
15.8	4.4	4.9	5	Tires & Rubber	11.7	2.5	5.0	5.5	5.3
78.6	47.0	48.3	5	Tobacco	68.6	40.8	54.9	55.2	51.2
86.1	26.1	26.1	4	Traction	57.0	17.9	19.6	25.0	20.8
82.0	44.5	44.9	2	Variety Stores	50.9	23.3	34.2	37.0	35.4



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Seeking a Better Distribution of Wealth

An Argument for High Income Taxes, Lower Governmental Wages and More Public Works — Views of Other Readers

Editor, READERS' FORUM:

I have read with a great deal of interest Charles Benedict's articles, "As I See It," in THE MAGAZINE OF WALL STREET. For the past two years I have had a plan which I have thought would help us overcome the depression. It consists of three measures:

1st. I would restore income taxes to their maximum war time rates or even higher, increasing the rates mostly in the higher brackets but I would also lower the exemptions and increase the rates in the lower brackets if necessary to balance the budget. I would also extend the tax to all public employees and advocate a constitutional amendment prohibiting tax exempt securities.

I see no easier way of getting a better distribution of wealth than by means of the income tax. Our economic progress must be in the direction of socialism and the income tax is the mildest form of socialism that we have. It involves no new experiments, no more boards or bureaus. If we go too far we can easily back up.

2nd. I would reduce the wages of all public employees 30% from the 1929 level. This I think would result in all industrial wages which have not already been so reduced being reduced. This, however, would be considered an emergency measure as eventually real wages should be higher than they have ever been.

To keep business on an even keel the purchasing power of the mass of the people must approximate the productive capacity of the country. I believe that our power to consume is unlimited but if it is limited then the hours of labor must be reduced.

Higher income taxes and a consequent reduction of other taxes would transfer purchasing power from those who do not use it to those who would use it. They would reduce the amount of money which would go into productive capacity and increase the amount spent for consumers' goods thus tending to maintain the balance which became so widely disturbed in 1929.

People everywhere are protesting against the cost of government. It would be much better to reduce this cost by reducing the wages of all than it would be by discharging some thereby adding to the ranks of the unemployed and at the same time leaving the others better off than ever.

3rd. Business at present seems to be stuck on a dead center. Production cannot increase until demand increases and demand cannot increase until we get our unemployed back to work. The Federal government could break the deadlock with a huge program of public works. But this program should be financed by income taxes and should be done at a wage level which would insure the taxpayer the full value of every dollar spent. Public projects should not be self-liquidating in the sense that they would compete with present industrial plants of which we already have too many.

In addition to these measures I think some general moratorium on bonds, mortgages and other forms of indebtedness should be arranged. I do not know how this could be done legally but it might be done by common consent. The President has suggested a 60-day moratorium on building mortgages. If the payment of indebtedness could be postponed until employment was back to normal, prices would probably gradually rise until the debts could be paid in dollars of the same value at which they were incurred.—JOHN BARR, Redmond, Ore.

In Behalf of the Farmer

Editor, READERS' FORUM:

In your issue of September 17, there was an interesting letter of H. L. R., of Nutley, N. J., who emphasized very clearly, the apparent fallacy of thriftiness. Generally speaking, the inference of H. L. R.'s letter is only too apparent, but I take exception to one portion of his letter, in which, he refers to Government aid to farmers, and says "that large chunks go to farmers who can't make a living at their chosen profession—nor, in all probability, in anything else, for that matter."

H. L. R., living in Nutley, N. J., probably working in New York, undoubtedly has the very provincial idea that Chicago is about the limits of the West and when he refers to the farmer's problem the way he does, he very obviously doesn't know what he is talking about. The writer, who spent many years in the East, has been obliged to rehash his opinion which might have been substantially the same as H. L. R.'s in former years but, nevertheless, would have hesitated to put them so emphatically. Before making such a sweeping and condemning statement as to the farmer's ability to run his business, I believe it would be well for him to get a little first hand information.

If I had the time and if you had the space, I could show you very clearly where the farming proposition is about as tough as any business that Mr. H. L. R. probably ever conceived. Our local elevator is paying the farmer for wheat, 30 cents to 38 cents per bushel, dependent upon quality, 17 cents per bushel for corn and 12 cents per bushel for oats. The land in Kansas is peculiarly adapted to wheat and corn which Mr. H. L. R. probably doesn't know. The average yield per acre for wheat should be about eighteen to twenty bushels per acre.

Taxation on farm property in the last fifteen years has risen from $40 per quarter section which is 160 acres, to approximately $250 per quarter section. I might also mention that our farmers or possibly their wives are getting 15 cents per pound for butter fat, 10 cents a pound for chickens and eggs have been as low as 9 cents a dozen. I purchased from a farmer the other day, 100 pounds of potatoes delivered for 40 cents.

Mr. H. L. R. would find it very difficult to parallel in any profession, trade or business, the decreases in value the farmer has suffered and, furthermore, the farmer has been suffering from this condition, although of course, not so pronounced, during the high spots of 1928 and 1929.

Attention might also be drawn to the manner in which the Eastern manufacturers have forced upon and oversold to the farmers, expensive farm machinery in the last five years. A great deal of the farmer's trouble today is due to the aggressiveness and persistence in forcing the farmer to purchase their machinery, upon which, the price has declined practically not at all.

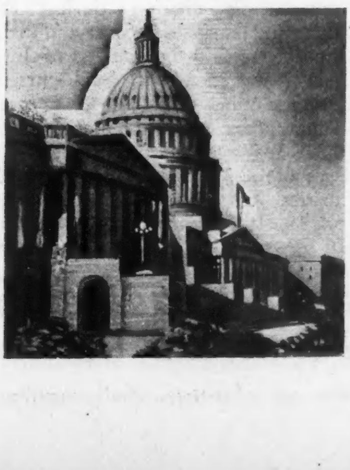
It should be remembered that agriculture is the largest single industry of the United States and the boys languishing back East and complaining about depressed conditions might very well turn their attention to the needs of their largest customer who is the farmer. Legislation for the last few years has been for the benefit of capital and efforts for construction of our present economic conditions have been from the top down instead of from the bottom up. After spending several years in this Great Middle West, I am convinced that a careful study of the farmer's problem with a view to rehabilitating his purchasing power would go further towards curing this depression than any other single effort. In any case, don't condemn the farmer as an uncivilized, uncultured, or uneducated moron without some first hand information.—J. C. S., Atchison, Kansas.

It Is, Indeed, "Pre-payment"

Editor, READERS' FORUM:

Every time I see a reference to the "immediate payment of the bonus" in a campaign speech or a news item, I wonder why it is that the opponents of this movement insist upon adopting the veterans' own phraseology, instead of using a term that would more clearly express their own viewpoint and more accurately describe the issue.

Why, to be exact, don't they refer to it as the "Pre-Payment" or the "Advance Payment" of the bonus? That would really put the issue in its proper light at one stroke. The term "immediate payment" absolutely fails to indicate anything whatever concerning the real status of what is being demanded by the veterans. It might be, as the veterans have sought to imply, something that has been promised, and to which they are entitled, but which is being withheld from them, for all that the term indicates. In fact, the use of this term, "immediate payment" does give an implication of that kind, for we have come to associate that word "immediate" with the idea of a pressing responsibility. We speak of giving a thing "immediate attention" when it is something that should be done right now. The use of the word implies a duty or obligation. It is, therefore, very misleading and gives a wrong impression when used in connection with this issue.



If only everyone, statesmen, candidates for office, the press and the periodicals would but adopt either the term "Pre-Payment" or "Advance Payment" when referring to this bonus demand, how much misunderstanding would be cleared away by that simple expedient and how much more forceful would their arguments become.

Would not this be a worthy suggestion to be sponsored by THE MAGAZINE OF WALL STREET?—H. A. FANCKBONER, Chicago, Ill.

A Word of Praise

Editor, READERS' FORUM:

I wish to compliment you on the three particularly good articles in your October 1 number. "A Moratorium to Regret" is good. "As I See It," by Charles Benedict, is particularly good, but when you can actually face the facts as you did in the article headed "The Balance Sheet of Business and What Can Be Done to Liquidate Private Debts," you are facing stern realities that we all should understand.

I have been preaching this doctrine for nearly three years and have studied the problem rather thoroughly, and I am glad to see that you had the moral courage to print the actual facts as you see them.—J. R. EDWARDS, Cincinnati, Ohio.

Money and Prices

EDITOR, READERS' FORUM:

There is no question but that declining prices have a tremendous effect in reducing the volume of business and anyone who will study an index of wholesale prices will be constrained to admit that the decline is not likely to end for another 20 years.

There was a greater decline in prices

(*Please turn to page 66*)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. Write full name and address plainly, and enclose stamped, self-addressed envelope.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

DRUG, INC.

In the light of recent developments in the affairs of Louis K. Liggett Co., what would you say is the outlook for the parent concern, Drug, Inc.? Would the parent company be affected? I have a small profit in 100 shares of the latter company's stock and I am wondering if it might not pay me to take it at this time.

In an effort to reduce lease expenses to a level more in line with current sales volume and other operating expenses, the management of Louis K. Liggett Co., retail subsidiary of United Drug Co., which is owned by Drug, Inc., has appealed to owners of stores occupied by Louis K. Liggett Co. for voluntary rent adjustments in order to forestall receivership of the chain store organization, which appears inevitable should the landlords be reluctant in co-operating with the company. This development, while on the surface is disconcerting to holders of the common stock of Drug, Inc., it is not without its favorable aspects. In order to obtain a proper understanding of the present situation, a word or two relative to the workings of Drug, Inc., is in order. Operations of Drug, Inc., are divided into two distinct departments, namely—manufacturing and retail distribution through chain stores. Since profits from the chain store division have become increasingly slim during the current depression, it can be seen that the bulk of the company's revenues is derived from the manufacturing division. At latest reports, profits in the latter department are being maintained at a satisfactory level and doubtless will enable the parent company (Drug, Inc.) to show substantial profits at the close of 1932. As a matter of fact, estimates have been made, indicating per share profits on the common stock of Drug, Inc., for the full year 1932 of between \$3.50 and \$3.90. Thus, despite the pending deficit operations for Louis K. Liggett Co., earning power of Drug, Inc., remains comparatively stable. There appears little doubt that the management is bent on effecting rental economies, and are prepared to reorganize the retail chain in order to accomplish this end. Regardless of which method the company follows, its competitive position will be strengthened by the economies effected through the move, a factor that augurs well for the longer term prospects. Furthermore, aggressive sales and advertising policies of the company should make for moderate profits expansion in the manufacturing division during the forthcoming business recovery. Financial position of Drug, Inc., as of June 30, last, was excellent, total current assets, including \$26,480,053 in cash and marketable securities, amounted to \$58,830,145 against total current liabilities of \$8,350,523. Of marketable securities totalling \$11,842,359 on June 30, last, approximately \$9,000,000 consisted of U. S. Government securities, municipal bonds, call loans and certificates of deposit, all of which approach the equivalent of cash. Despite this strong fiscal position, the management doubtless will decide, in the not too distant future to revise current dividend distributions to a rate more in line with prevailing earning power. This factor, however, has been well discounted by prevailing quotations for Drug common, and we are inclined to regard the needless disposal of commitments made at higher levels in the nature of a sacrifice and advise against such action.

SOCONY-VACUUM OIL CORP.

I note that Socony-Vacuum's working capital and Government bond holdings are almost equal to the present selling price of the stock. Why doesn't this company do better marketwise? Is there any likelihood of dividend adjustment? I have 100 shares purchased slightly above present levels. Do you advise me to hold or would you advise switching to some other company with better prospects?

As a result of the consolidation of Standard Oil Co. of New York and Vacuum Oil Co., effected during July of last year, one of the strongest units in the oil industry, from a competitive standpoint came into existence in the form of the present Socony-Vacuum Corp. Born at a time when oil companies as a group were almost despaired of, the record of Socony-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Vacuum Corp., since its inception, has been impressive and certainly justifies the belief that it is well able to cope with future adversities, come what may. Although the casual observer might look askance on the net results reported by Socony-Vacuum Corp. at the close of last year, a careful study of the conservative accounting policies established by that company reveals a highly gratifying picture. Admittedly, a net loss of slightly more than $4,000,000 was reported last year, but this figure is after allowing for deductions of some $40,000,000 for depletion, depreciation and amortization reserves, which represents approximately $1.50 a share on the company's outstanding stock. Furthermore, the fact that these heavy write-offs were made during the early stages of the company's history, places it in a strategic position to take full advantage of general recovery in the industry. Increasingly keen competition in the territory served by Socony-Vacuum has necessitated reduction in gasoline prices. This factor, coupled with the seasonal falling-off in consumption, may prevent the company from reporting a profit for the calendar year 1932. Nevertheless, the financial condition of the company at the close of last year was exceptionally strong, and should enable it to absorb the additional losses sustained, with little difficulty. Current assets as of December 31, 1931, totaled $306,957,382 including cash of $20,416,662 and marketable securities at cost of $43,243,038 (market value $42,475,488) against total current liabilities of only $47,884,152, leaving net working capital of $259,073,230 or $8.13 a share on the capital stock. Although little is expected from Socony-Vacuum common stock, marketwise, during the immediate future, further retention of present commitments is counselled on a long-term basis.

BARNSDALL CORP.

I have read where statistically the oil industry is in a greatly improved condition and yet Barnsdall is still selling close to its low for the entire depression. Why is this? Will you give me the real outlook for this company? I have 100 shares purchased considerably above present levels, shall I continue to hold?

Consolidated income account of Barnsdall Corp. for the June quarter of 1932 revealed net profits of $30,183 equal to 1 cent a share on the $5 par capital stock, against a loss of $390,125 in the preceding quarter and a deficit of $1,817,156 in the June quarter of 1931. The report for the six months ended June 30, last, showed a deficit of $359,941 against a loss of $1,815,498 in the initial half of last

(*Please turn to page* 63)

New York Stock Exchange

RAILS

	1930		1931		1932		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	10/19/32	Share
Atchison	242½	168	202⅝	79¼	94	17⅞	45¼	..
Do Pfd.	108¾	100	103¼	75	86	35	65	5
Atlantic Coast Line	175½	95¼	120	25	44	9¾	24	..
B								
Baltimore & Ohio	122¾	55⅜	87⅞	14	21⅞	3¾	13⅝	..
Bangor & Aroostook	84⅛	50⅛	66¾	18	35¾	9½	24	2
Brooklyn-Manhattan Transit	78⅝	55⅛	69⅝	31⅛	50¼	11⅛	23⅛	..
Do Pfd.	98¾	88	94¼	63	78⅜	31½	62½	6
C								
Canadian Pacific	53¼	35¼	45⅜	10¾	20⅝	7¼	14¾	..
Chesapeake & Ohio	51⅜	32⅝	46⅛	23⅜	31½	9¾	23½	2½
C. M. & St. Paul & Pacific	26⅜	4¼	8⅞	1½	4½	¾	2⅝	..
Do Pfd.	46¼	7¾	15⅝	2⅛	8	1⅛	4	..
Chicago & Northwestern	89⅞	28½	45½	5	14½	2	7⅞	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅛	16⅝	1⅛	7	..
D								
Delaware & Hudson	181	130⅛	157¼	64	92½	32	67	6
Delaware, Lack. & Western	153	69½	102	17¾	45⅞	8½	31¾	..
E								
Erie R. R. 1st Pfd	67⅜	27	45⅛	6⅜	15⅞	2⅝	8½	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	5½	14	..
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30⅝	8	16	3½
I								
Illinois Central	136¾	65¾	89	9⅛	24⅞	4¾	16½	..
Interborough Rapid Transit	39½	20⅜	34	4⅝	14⅝	2¼	4¾	..
K								
Kansas City Southern	85⅜	34	45	6⅞	15¼	2¼	8¼	..
L								
Lehigh Valley	84⅞	40	61	8	29¼	5	16	..
Louisville & Nashville	138½	84	111	20¼	38¼	7½	22¼	..
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	13	1¼	8½	..
Do Pfd.	108⅝	60	85	10½	24	3¼	15½	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1½	5⅞	..
Do Pfd.	145½	79	107	12	26	2½	9½	..
N								
New York Central	192¾	105½	132¼	24⅞	36⅝	8¾	24⅝	..
N. Y., N. H. & Hartford	128½	67⅝	94⅞	17	31⅝	6	16½	..
Norfolk & Western	265	181½	217	105⅝	135	57	99	8
Northern Pacific	97	42⅝	60⅞	14½	25⅜	5½	19¼	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅝	6½	15⅝	..
Pere Marquette	164½	76½	85	4	18	1¾	6⅛	..
R								
Reading	141½	73	97½	30	52¼	9½	35½	1
S								
St. Louis-San Fran.	118⅞	39¾	62⅝	3	6⅝	⅝	2¼	..
Southern Pacific	127	88	109½	26½	37⅝	6½	21¾	..
Southern Railway	136¾	46½	65⅞	6⅜	18½	2½	9¾	..
Do Pfd.	101	76	83	10	23¾	3	12¼	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	27⅞	68½	6
Do Pfd.	88⅜	82¼	87	51	71⅝	40	62	4
W								
Western Maryland	36	10	19⅝	5	11⅜	1½	7⅜	..

INDUSTRIALS AND MISCELLANEOUS

	1930		1931		1932		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	10/19/32	Share
Adams Express	37⅞	14¼	23½	3⅛	9½	1⅝	6¼	..
Air Reduction, Inc.	156⅝	87½	109¾	47⅝	63½	30⅞	58¼	3
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅝	⅜	1⅜	..
Allied Chemical & Dye	343	170¼	182¾	64	88¼	42½	76¼	6
Allis Chalmers Mfg.	68	31¼	42¾	10½	15⅜	4	9⅛	..
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	17⅞	6⅛	12	.60
American Can	156¼	104⅝	129¾	58¼	73⅞	29⅝	53⅜	4
Amer. Car & Fdy	82½	24⅛	38¾	4½	17	3⅛	9⅜	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	15	2	8¾	..
American Ice	41⅞	24½	31⅝	10⅛	21⅝	6¾	7	1
Amer. International Corp	55⅜	16	20	5	12	2½	7⅞	..
Amer. Mchy. & Fdry	45	29¾	42¾	16	22¼	7½	14	.80
Amer. Power & Light	119⅝	36⅛	64⅞	11⅝	17¼	3	11	..
Amer. Radiator & S. S.	39¾	15	21½	5	12¼	3⅛	8⅜	..
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	18½	3	12½	..
Amer. Smelting & Refining	79½	37⅛	58½	7½	27¼	5⅛	15⅝	..
Amer. Steel Foundries	52¼	23½	31¼	5	15⅛	3	8¼	..
Amer. Sugar Refining	69⅞	39¼	60	34⅛	39¼	13	23⅜	2
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	137⅜	70¼	108⅛	9
Amer. Tobacco Com.	127	98½	128¾	60½	86¾	40⅛	66	*6
Amer. Water Works & Elec	124⅞	47⅝	80¾	23⅛	34½	11	24¼	2
Anaconda Copper Mining	81⅛	25	43¼	9¼	19⅝	3	10½	..
Assoc. Dry Goods	50½	19	29⅝	5¾	11	3	6¾	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	21⅞	8⅝	17	1
Auburn Auto	263¾	60⅝	295½	84½	151¾	28¾	45¾	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
B	High	Low	High	Low	High	Low	10/19/32	Share
Baldwin Loco. Works	38	19⅜	27⅞	4⅝	12	2	7	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	7	3⅜	5	..
Beech-Nut Packing	70½	46¾	62	37½	45	29¼	38½	3
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	4½	11⅞	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	5¾	13	..
Bethlehem Steel Corp	110¼	47⅜	70⅜	17¼	29⅝	7¼	19	..
Bohn Aluminum	69	15¾	43	15½	22¼	4⅞	12	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	20	28⅛	2
Borg Warner	50½	15	30¾	9	14¼	3⅜	9½	..
Briggs Mfg.	25⅜	12⅛	22¾	7⅛	11¾	2⅞	5⅜	..
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	24⅝	7	16⅛	..
C								
California Packing	77½	41¼	53	8	19	4¼	11	..
Calumet & Hecla	33⅜	7¾	11⅜	3	7⅞	1½	3¾	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅜	15	6	10¾	1.20
Case, J. I.	362¾	83⅛	131½	33¼	65¾	16¾	46	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4⅜	9	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15½	3½	8⅝	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20¾	4⅞	14¾	2
Chrysler Corp.	43	14⅛	25¾	11¾	21¾	5	15⅝	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	74⅛	97	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	11	14	1
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	29⅛	2
Colum. Gas & Elec.	87	30⅝	45⅜	11⅝	21	4¼	14¾	1
Commercial Credit	40¾	15½	23¼	8	11	3⅞	6	..
Commercial Solvents	38	14	21½	6⅝	18¾	3½	9¾	.60
Commonwealth & Southern	20½	7½	12	3	5⅛	1⅝	3⅛	..
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	31½	59	4
Continental Baking Cl. A	52½	16¾	30	4½	8	2⅞	5	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	17⅝	34¼	2
Continental Oil	30½	7¾	12	5	9⅜	3⅝	6¼	..
Corn Products Refining	111⅜	65	86⅝	36¼	55⅜	24¾	52¼	3
Cudahy Packing	48	38⅛	48⅞	29	35½	20	†27½	2½
Curtis Publishing	126⅛	85	100	20	31	7	15	..
Curtiss Wright, Common	14⅞	1¾	5⅞	1	3¼	⅞	2¼	..
D								
Davison Chemical	43⅜	10	23	3½	9¼	1	4¼	..
Diamond Match	24⅞	10	23	10⅝	19⅛	12	18⅛	1
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	35	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	22	38	2
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	35¼	54½	3
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	9⅞	3	6¼	..
Electric Auto Lite	114⅞	33	74⅜	20	32¾	8½	18⅛	1.20
Elec. Power & Light	108½	34⅜	60¾	9	16	2¾	9⅛	..
Elec. Storage Battery	79¼	47½	66	23	33¼	12⅝	23¼	2
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	37¼	16	†30¾	3
F								
First National Stores	61⅜	33⅝	63	41	54¼	35	50⅛	2½
Foster Wheeler	104½	37½	64½	8	15⅞	3	10	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅞	1	2⅞	..
Freeport Texas Co.	55½	24½	43¼	13¼	26⅞	10	22¼	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	9½	17	1
General Asphalt	71⅛	22⅜	47	9⅝	15½	4¾	8¼	..
General Electric	95⅝	41½	54¾	22⅞	26⅛	8½	16½	.40
General Foods	61¼	44⅜	56	28¼	40½	19⅝	30¼	2
General Mills	59⅛	40⅛	50	29⅛	48½	28	42	3
General Motors Corp.	54¼	31½	48	21⅜	24⅝	7⅝	15	1
General Refractories	90	39	57⅜	12	15⅜	1¾	8	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	17⅛	1
Gold Dust Corp.	47⅞	29	42⅛	14½	20⅝	8¼	17½	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	12⅜	2¼	6	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	29¾	5½	16⅝	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	11⅝	2⅜	6¼	..
Grand Union	20⅝	10	18⅞	7	9¾	3½	6¼	..
Great Western Sugar	34½	7	11⅞	5¾	12	3¼	6¼	..
Gulf States Steel	80	15	37½	4	21⅛	2½	†13½	..
H								
Hershey Chocolate	109	70	103¾	68	83	43½	†53½	6
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅜	1⅝	3½	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	5⅛	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	3	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	52½	98⅞	6
Inter. Cement	75⅜	49½	62½	16	18¾	3⅝	10¾	..
Inter. Harvester	115¾	45¼	60½	22⅜	34⅛	10⅝	24¾	1.20
Inter. Nickel	44⅜	12¾	20⅛	7	12½	3⅛	8¾	..
Inter. Tel. & Tel.	77⅜	17⅛	38¾	7⅛	15¾	2⅝	10¼	..
J								
Jewel Tea	66½	37	57½	24	35	15⅛	26	*4½
Johns-Manville	148⅜	48¾	80¾	15⅝	33⅜	10	28⅞	..
K								
Kelvinator	26⅝	7⅜	15⅛	6	10⅝	2¾	4⅛	..
Kennecott Copper	62¾	20⅛	31⅛	9⅝	19¼	4⅞	11⅛	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	6⅝	11⅜	1
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	1/32	⅛	..
Kroger Grocery & Baking	48⅛	17⅛	35⅛	12½	18⅞	10	15⅛	1
L								
Lambert Co.	112	70¾	87⅞	40⅛	56¾	25	38	*5
Lehn & Fink	36	21	34¾	18½	24¼	6	18⅛	2
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	67¼	34⅛	60	*5
Liquid Carbonic	81⅞	39	55⅛	13½	22	9	14	..

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/19/32	Share
L								
Loew's Inc.	95⅝	41¾	63½	23⅞	37⅝	13¼	27½	*4
Loose-Wiles Biscuit	70¼	40⅛	54⅞	29⅞	36⅜	16⅛	27	2
Lorillard	28⅛	8¾	21⅞	10	18⅜	9	13⅛	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	28¾	10	23	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	17	42	2
Magma Copper	52½	19¼	27⅜	7¼	13¾	4½	8	.50
Marine Midland	32½	17¾	24¼	9¼	14⅜	6⅛	11	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	9	16⅛	1½
May Dept. Stores	61⅜	27¾	39	15⅝	20	9½	15	1
McKeesport Tin Plate	89½	61	103½	38½	62¼	28	46	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	16⅛	3½	13¾	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19¾	8	14¾	1
National Biscuit	93	68⅝	83¾	36⅜	46⅞	20¼	40⅜	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	18¾	6½	11⅛	..
National Dairy Prod.	62	35	50¾	20	31⅜	14⅜	18½	2
National Power & Light	58¾	30	44¼	10¼	20⅜	6⅝	15⅜	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	10¼	2½	5¾	..
North Amer. Aviation	15⅝	4¼	11	2⅜	5⅞	1¼	3⅞	..
North American Co.	132⅞	57¼	90¼	26	43¼	13¾	31	§10%
O								
Ohio Oil	34⅛	16	19⅛	5⅛	11	5	9	.40
Otis Elevator	80⅜	48¼	58½	16⅛	22½	9	12¾	1
Otis Steel	38⅝	9½	16⅜	3½	99¼	1¼	5¼	..
P								
Pacific Gas & Electric	74⅞	40½	54⅞	29⅝	37	16⅞	28⅝	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	1½	3¼	..
Paramount Publix	77¼	34¾	50¼	5½	11½	1⅛	4	..
Penney (J. C.)	80	27⅝	44¾	26¾	34½	13	23	1.80
Phelps Dodge Corp.	44⅝	19¾	25⅝	5⅞	11⅝	3⅞	6¾	..
Phillips Petroleum	44⅜	11⅛	16⅝	4	8⅛	2	6	..
Prairie Pipe Line	60	16⅝	26⅛	6⅞	12¼	5⅛	10	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	19⅞	31⅛	2
Public Service of N. J.	123¾	65	96½	49⅛	60	28	49½	3.20
Pullman, Inc.	89⅜	47	58½	15⅞	28	10½	22½	3
Pure Oil	27¼	7⅝	11⅞	3¼	6½	2⅞	4½	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	9⅛	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	13⅛	2½	8	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7¾	1½	4	..
Remington-Rand	46⅛	14⅛	19¾	1⅞	7½	1	4⅜	..
Republic Steel	79½	10½	25⅜	4⅛	13⅞	1⅞	8⅝	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54⅛	32½	40¼	26½	30⅜	3
Royal Dutch	56½	36⅞	42⅝	13	23¾	12⅛	19¼	.80½
S								
Safeway Stores	122⅜	38¾	69⅛	38⅝	59¼	30⅛	52	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30⅞	37⅜	9⅞	21½	..
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	1½	2⅜	..
Shell Union Oil	25½	5¼	10¼	2½	8¾	2½	6⅜	..
Simmons Co.	94⅞	11	23¾	6⅞	13⅜	2¾	9⅜	..
Skelly Oil Corp.	42	10⅛	12⅞	2	5¾	2½	4	..
Socony-Vacuum Corp.	..	..	21	8⅜	12¼	5¼	10⅛	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	15¾	28	2
Standard Brands	29¼	14⅛	20½	10⅛	17⅞	8⅜	15½	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	34¼	7⅝	18½	2
Standard Oil of Calif.	75	42¼	51¾	23⅛	31⅞	15⅛	25⅜	2
Standard Oil of N. J.	84⅞	43½	52½	26	37⅜	19⅞	30⅞	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	8½	1⅞	4½	..
Stone & Webster	113⅜	37½	54½	9⅞	17⅜	4⅝	10¼	..
Studebaker Corp.	47¼	18⅛	26	9	13¾	2½	6	..
T								
Texas Corp.	60⅛	28¼	36¼	9⅞	18¼	9¼	13⅝	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	12	21⅛	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	8½	2½	5¼	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	5⅝	2	3⅞	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	7¾	15	1
U								
Union Carbide & Carbon	106⅜	52½	72	27⅛	36⅜	15½	26	1.20
Union Oil of Cal.	50	20⅛	26⅝	11	15⅜	8	11¾	1
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	34⅜	6½	27⅛	..
United Carbon	84	41⅜	28¾	6⅛	18	6⅝	12½	..
United Corp.	52	13⅞	31¼	7⅛	14	3½	9½	.40
United Fruit	105	46⅛	67¾	17⅛	32⅜	10¼	20½	2
United Gas Imp.	49⅜	24¼	37⅛	15⅜	22	9¼	18⅞	1.20
U. S. Industrial Alcohol	139⅜	50⅛	77⅜	20⅜	36¼	13¼	26⅜	..
U. S. Pipe & Fdy.	38⅛	18½	37⅛	10	18⅛	7¼	12	2
U. S. Realty	75½	25	36¾	5½	11¾	2	6	..
U. S. Rubber	35	11	20⅜	3½	10¼	1¼	5¾	..
U. S. Smelting, Ref. & Mining	36⅛	17⅛	25⅜	12⅜	22¾	10	15¼	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	21¼	39½	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	1⅛	4¾	..
V								
Vanadium Corp.	143¼	44¾	76¾	11	23¾	5¼	14⅛	..
W								
Warren Bros.	65⅝	26⅝	46⅝	3¾	8⅜	1¼	4½	..
Warner Brothers Pictures	80¼	9¾	20⅜	2⅛	4½	½	2⅛	..
Western Union Tel.	210¾	122⅛	150⅜	38½	50	12⅜	31	..
Westinghouse Air Brake	52	31¼	36⅛	11	16⅛	9¼	14	1
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22⅞	43⅛	15⅝	29¼	..
White Motor	43	21⅝	26¼	7⅜	27¼	6⅞	23½	..
Woolworth Co. (F. W.)	70⅜	51½	72¾	35	45⅝	22	38⅛	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	24	5	15⅛	..
Wrigley (W., Jr.)	81	65	80⅜	46	57	25¼	38½	3

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Pay-able
$4.00	Amer. Can Co........	$1.00	Q	10-31	11-15
4.20	Amer. Home Products	.35	M	10-15	11-1
4.00	Bon Ami Co. Cl. A...	1.00	Q	10-15	10-30
1.00	Cluett, Peabody & Co.	.25	Q	10-21	11-1
2.00	Columbian Carbon Co.	.50	Q	10-14	11-1
Stock	Columbia Gas & Elec.	.25	Q	10-20	11-15
4.00	General Cigar Co.....	1.00	Q	10-17	11-1
2.00	General Foods Corp..	.50	Q	10-14	11-1
3.00	General Mills, Inc....	.75	Q	10-15	11-1
6.00	Hershey Ch'late Corp.	1.50	Q	10-25	11-15
9.00	Homestake Mining Co.	.75	M	10-20	10-25
2.00	Loose-Wiles Bis't Co.	.50	Q	10-18	11-1
2.00	Macy (R. H.) & Co...	.50	Q	10-21	11-15
2.00	New Jersey Zinc Co..	.50	Q	10-20	11-10
3.00	Pacific Lighting Co...	.75	Q	10-20	11-15
3.00	Pullman, Inc.	.75	Q	10-24	11-15
2.00	So. Calif. Edison Co..	.50	Q	10-20	11-15
1.00	Telautograph Corp. ..	.25	Q	10-15	11-1
2.00	Univ'sal Leaf Tobacco..	.50	Q	10-19	11-1
3.00	Wrigley (Wm.) Jr...	.25	M	10-20	11-1

BEECH-NUT PACKING COMPANY

Beech-Nut Packing Company reports for the nine months' period ending Sept. 30, 1932, net earnings, before Federal Taxes, $1,646,759.74. This compares with $1,834,174.05 for the same period 1931.

Deducting estimated Federal Income Tax and providing for Preferred dividends on 45 shares Class "A" stock outstanding, leaves $1,427,122.57 applicable to the Common Stock, which is equivalent to $3.20 per share for the first three quarters of 1932 on 446,250 common shares outstanding.

Condensed Balance Sheet as of September 30, 1932

ASSETS

Current Assets:—		
Cash in Banks and on Hand		$2,990,173.57
United States Government Bonds		3,459,961.10
Other Marketable Securities		942,998.51
Accounts and Notes Receivable	$1,383,843.15	
Less Reserves	92,904.01	
		1,290,939.14
Merchandise Inventories, including Advances Against Purchases of Chicle		6,619,075.26
Total Current Assets		$15,303,147.58
Due from Subsidiary Companies on Open Accounts and Notes		69,224.31
Investment in Securities:—		
Affiliated Corporations	$1,115,801.75	
Less Reserves	155,689.50	
	$960,112.25	
Mortgages and Secured Loans on Real Estate	81,286.43	
Beech-Nut Packing Co. Treasury Stock	375,886.97	
Miscellaneous	23,952.26	
Total Investment in Securities		1,441,237.91
Plant Property:—		
Land, Buildings, Machinery and Equipment....................	$5,954,148.21	
Less Reserve for Depreciation	2,691,398.12	
Net Plant Property		3,262,750.09
Deferred Assets:—		
Redemption Funds	$622.50	
Unexpired Insurance Premiums	141.888.63	
Prepaid Advertising, Rentals, etc....................	375,447.15	
Patents, Trade Marks, etc....................	71,169.61	
Total Deferred Assets		589,127.89
		$20,665,487.78

LIABILITIES AND CAPITAL

Current Liabilities:—		
Accounts Payable	$183,445.32	
Dividends Declared and Payable	334,766.25	
Accrued Expenses and Taxes	364,285.85	
Total Current Liabilities		$882,497.42
Reserves:—		
For Contingencies	$400,000.00	
For Employees' Insurance, etc....................	378,309.96	
For Redemption of Short Term Notes	622.50	
Other Reserves	534,410.49	
Total Reserves		1,313,342.95
Capital Stock:—		
Common—446,250 Shares	$8,925,000.00	
Preferred Class "A"—45 Shares	4,500.00	
Total Capital Stock		8,929,500.00
Surplus Paid In:—		
Premium on Capital Stock		1,450,700.00
Surplus Earned:—		
Balance January 1, 1932	$7,671,825.66	
Less—Adjustment of Federal Taxes	5,438.32	
	$7,666,387.34	
Add—Net Profit for the Nine Months Ended September 30, 1932	*1,427,358.82	
Total	$9,093,746.16	
Less Dividends	1,004,298.75	
Total Surplus Earned		8,089,447.41
		$20,665,487.78

* After Federal Taxes.

Comparative Figures as of Dec. 31st	1927	1928	1929	1930	1931
Working Capital	$9,662,700.00	$10,775,379.00	$11,300,616.00	$12,583,094.00	$13,585,801.00
Surplus	6,746,098.00	6,931,810.00	7,939,299.00	9,041,393.00	9,334,177.00
Book Value, Common Stock	34.04	34.53	37.72	40.19	40.92
Dividends Paid, Common Stock	3.00	3.00	3.00	3.00	3.00

Signed—Bartlett Arkell, President.

Louisville & Nashville

(Continued from page 33)

years of 1865-67 inclusive, the prevailing rate was 8% a year. All payments to stockholders were omitted in the dark days following the famous panic of 1873, although in that particular year a distribution of 7% was made. Dividends were restored in 1877 and paid at various rates up to 1894 when they were again omitted to 1898 inclusive. There was no other omission after that until May of this year, when the directors voted to discontinue dividends because of the steadily and seriously decreasing earnings.

Louisville & Nashville has made numerous and liberal stock dividend payments as follows: 1864, 10%; 1868, 40%; 1880, 100%; 1888 and 1889, 5%; 1890, 4.9%; 1923, 62½%.

While, from present indications some time will elapse before this railroad or any of the railroads that have stopped dividend payments will resume, L. & N. should be among the first to make distributions to its stockholders again.

For years this road was regarded as, and actually was, one of the "rock ribbed" railroads of the South. Earnings were large, dividends in proportion but still conservative, and cash position strong. At the end of 1931 the company had over $15,000,000 cash on hand and it is officially estimated that at the close of this year there will be still approximately $10,000,000 "in the box." Current assets totaled $27,895,309 on August 31 against current liabilities of $7,704,878.

Not a Cent Borrowed

Louisville & Nashville has not borrowed a cent so far during this depression. It is believed by those who know the company's position that it can go another year without borrowing. Its own requirements are not particularly large, as in addition to the $10,000,000 needed for fixed charges the principal item is equipment trusts, which are being paid off at the rate of over $2,000,000 annually. During the hard times of the past three years it has been necessary for the L. & N. to make some advances to one or more of its leased or owned lines.

The company's earnings, as we have noted, picked up in August, because of a larger movement of bituminous coal. It was possible to earn fixed charges and over $44,000 more. This was the first month of the current fiscal year that the monthly proportion of that obligation was covered. The statement for September probably will be substantially better than for the months prior to August, and is expected to show fixed charges more than earned.

Loadings for October have held up very well. There is likely to be a seasonal falling off in freight traffic in November and perhaps December unless railroad business generally improves to a greater extent than it has so far.

Louisville & Nashville's net results up to the end of August were irregular. For February a net operating income of $359,356 was reported and for March $708,048, but for the next three months there was an operating deficit, ranging from $121,500 for April to $1,740 for June. In July the tide turned, as there was net operating income of $216,779, which was expanded to $853,253 in August.

On the basis of the figures now in hand, it is doubted that the company will cover its fixed charges for this year of a little more than $10,000,000. This will be a new experience for L. & N. for many years. Last year the balance applicable to dividends was only $1,039,946, equal to 89 cents a share, while for 1930 it was $6,606,082, or $5.64.

In the boom times, before the company's earnings began to fall off perceptibly as much as $16.60 per share was earned in a single year—1926. While this level will not easily be reached again in the near future the present price of 15 on the common shares gives too little weight to the recovery prospects of the road. Moderate improvement in conditions in the South would rapidly benefit its earning position and find reflection in the prices of its securities.

Twenty-Five Years Ago and Today

(Continued from page 25)

and services has now become our outstanding problem.

Despite amazing changes elsewhere, the form of our Government is unchanged, yet we have unquestionably seen a great change in its methods and application. There has been a steady trend toward centralization of Federal authority, a vast expansion of governmental activities and an increasing penetration of governmental influence in fields formerly left to private business or private initiative.

The aggregate cost of government has increased from less than 2 billions a year in 1907 to more than 15 billions today. This increase is far greater than the relative gain in either population

or national income. This means that an increasing proportion of the national income is absorbed in taxation. Of this year's national income, the cost of government will absorb at least 25 to 30 per cent. Regardless of any probable recovery in income, it is impossible to anticipate a condition in which the activities of government and government services now demanded by the public will absorb less than 15 to 20 per cent of annual national income, in contrast with 5 or 6 per cent in prewar days.

Thus, it is obvious that we have already gone far, through the taxation method, toward a socialization of income and of wealth. Today one person out of eleven is directly employed by government. Incidentally, the credit of government is being used to socialize losses formerly left to be taken by private capital. Despite temporary exaggerated impulses toward nationalism, the obvious economic drift throughout the world is toward collectivism. In every civilized country, government is more and more actively seeking to assume the direction and control of economic policies.

Perhaps the most momentous question to be answered in our next economic epoch is that of success or failure for the ever-bolder experiment in state socialism. It cannot bring back prosperity until the natural adjustments of supply and demand are completed. It tends to delay and prolong the process of adjustment, but in so doing has the merit of easing the impact of a deflation under which we might otherwise be threatened with something like a collapse of our present structure. Given such a choice, it is preferable to make use of palliatives, pending the working out of ultimate cures.

The purpose of our economic system is to supply the necessities and luxuries of life to all members of the system. In the machine and increasing technical efficiency the production goal has been attained. The major problem of the next quarter-century is to devise a more equitable and workable system of distribution under which the inherent possibilities of increased leisure, increased consumption and higher living standards may be realized.

If there is any wisdom in man the problem will be solved within a generation, providing both higher living standards and a closer approach to security. If private initiative cannot solve it, it is highly probable that the mass will represented in democratic government will undertake a far vaster experimentation in economic socialization than has yet been tried.

Between these two alternatives, private initiative has everything to gain in working out its own solution and

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, October 10	66.46	58.47	23.65	55.66	51.63	2,282,140
Tuesday, October 11	66.65	61.66	25.77	55.74	52.91	1,745,990
Wednesday, October 12		HOLIDAY — EXCHANGE CLOSED				
Thursday, October 13	66.51	59.76	25.07	55.73	52.59	1,226,890
Friday, October 14	67.19	63.84	27.71	58.49	53.86	2,018,910
Saturday, October 15	67.50	64.22	27.95	58.55	56.97	593,510
Monday, October 17	67.42	62.69	27.30	57.83	56.17	770,210
Tuesday, October 18	67.10	63.49	28.08	58.56	56.38	1,021,300
Wednesday, October 19	67.36	65.74	29.45	59.96	57.40	1,303,330
Thursday, October 20	67.53	64.40	29.76	60.43	58.41	1,055,950
Friday, October 21	67.13	61.01	27.28	58.13	55.15	1,244,595
Saturday, October 22	67.05	60.85	27.26	56.36	55.03	447,820

everything to lose in leaving the task to the cumbersome efforts of a governmental rule which can never be divorced from politics. Our engineers and technicians are chiefly responsible for conquering the problem of production. The chief hope of the future is that their technological and scientific method will be applied to the problem of equitable distribution and restored mass purchasing power.

Investment Trusts Under the Microscope

(*Continued from page* 28)

value of the total invested capital.

Generally speaking, most management trust stocks in recent years have tended to sell as much (or more) below their asset values as they did above them in 1929 due to the widespread disappointment and loss of confidence of the public in their management, and even in the principles on which they were founded. As time goes on, it can be expected as in the case of their European prototypes that investors will learn to discriminate and value these stocks individually rather than as an identical group. It is interesting to note that many investment trust equities, the asset value of which had long disappeared, continued to be quoted and for that matter still are. In such cases, their market status is very similar to that of options that give a call on expected or hoped for future real values, at least so far as minority shares are concerned.

How Strong Are Our National Finances?

(*Continued from page* 16)

inflation of major proportions. That is unlikely to come until both business men and bankers can see more definite promise of profit from renewed expansion. Meanwhile, indeed, abnormal money ease in itself is the direct reflection of business stagnation and of the continued timidity of investment capital.

Moreover, there are two weak spots in the financial picture, both inconsistent with normal business recuperation. The first of these is the abnormally large proportion of Federal borrowing supported by commercial bank deposits. Of our total Federal debt of approximately $20,000,000,000, the banks now hold some $10,000,000,000 or one-half.

Let us examine the position of the New York City banks. On October 4, 1929, out of every $100 of total resources, $7.80 was invested in obligations of the United States Government. On June 30, last, the total was $21.80. Moreover, the increase was greatest in long-term bonds, the ratio here increasing from $5.80 out of every $100 of resources to $13.10 by June 30, 1932. At the same time short-term obligations increased from a ratio of $2 out of every $100 of bank resources to $8.70. To a lesser degree, the same trend is shown by other member banks throughout the country.

The present prospect is for increased government borrowing. It also calls for the ultimate funding of a large part of the present short-term debt into long-term bonds. Obviously, it would be desirable for a major portion of the Federal bond investment now carried by the commercial banks to be taken over by private investors, since it is not the true function of commercial banking resources to be involved in this manner.

True, there is no commercial need for the credit thus tied up, but the situation confronting us is that banks generally have some 13 per cent of their resources in long-term Government bonds which, despite a moderate yield, are subject to fairly substantial fluctuations in market value, and approximately 8.7 per cent of banking assets are in shorter-term Government issues, a large part of which yield only a trifling income. With this situation prevailing throughout the country, it need hardly be said that any factor disturbing the market for Government securities would have nation-wide effect upon the banking structure. It is undoubtedly for this reason that banks are reluctant to extend their general investments and loans.

The second weak spot in the picture is the continuing Federal deficit. For the present fiscal year up to October 13 the excess of Federal expenditures over revenues was $469,524,162, as compared with $502,106,600 in the corresponding period of last year. Unless this gap is closed by retrenchment or higher taxation or both at the next session of Congress, beginning in December, there will be danger of a deficit for the 1933 fiscal year ranging somewhere between $1,500,000,000 and $2,000,000,000.

The Federal deficit last June, together with uncertainty over Congressional tinkering with the problem of taxation, unquestionably played a major part in the financial panic then existing. Although panic is not likely to return, the plain fact is that the present adverse status of our Federal Government's finances is the single greatest obstacle on the road to com-

plete financial recovery. It is not too much to say that hope of enduring revival in business must now look to the absolute necessity—and therefore the probability—of early Congressional action sufficiently wise and courageous to remove any lingering shred of doubt as to the national credit.

Third-Quarter Earnings and Fourth-Quarter Prospects

(*Continued from page* 23)

those reported in the similar periods of 1931. General American Tank Car is understood to have materially bettered its financial position, reducing both bonded indebtedness and bank loans, while the third quarter earnings of this company are estimated to have exceeded the 52 cents a share shown in the June quarter, although they will hardly equal more than half the $1.26 a share reported for the September quarter of 1931. Although one can hardly generalize on the fourth quarter prospects of the equipment and machinery companies, actual results on the whole are likely to be somewhat better than in the third quarter and it is at least gratifying to note the vastly increased efficiency which now prevails in this field.

Motors Disappoint

In the automobile industry actual third quarter results are only available on two important companies. General Motors' preliminary statement for this period showed a net loss of $4,464,229, compared with net income of $5,326,377, equivalent after preferred dividends, to 7 cents a common share for the preceding quarter. The company earned the equivalent of 25 cents a common share in the September quarter of 1931. Nash Motors reported for the quarter ended August 31 net income of $183,081, equivalent to 6 cents a share, against a profit equivalent to 70 cents a common share in the August quarter of 1931. Inasmuch as recent reports from the automobile industry express considerable disappointment over the way the business is proceeding and in view of the sharp curtailment in gasoline consumption, the fourth quarter hardly presents a bright prospect. A sharp increase in public purchasing power will probably have to take place before the automobile industry can hope for even a reasonable degree of prosperity.

Third quarter reports from the chemical industry are admittedly poor and the showing is the more disappointing because it is thought that this business,

playing such an important part in every other manufacturing activity, would be among the first to reflect any real change for the better. duPont, while reporting 36 cents a share, actually derived from its own operations in the September quarter only 13 cents a share, compared with 44 cents a share in the September quarter of 1931; while Mathieson Alkali earned 13 cents a share compared with 20 cents a share in the June quarter and 53 a cents a share in the September quarter of last year. Nevertheless, despite the admittedly poor showing made by the chemicals in their most recent reports, the outlook is not devoid of grounds for hope. The increased activity in the textile, leather and other industries will almost certainly be reflected in fourth quarter reports and, provided there is no further drastic slump in general business, these ought to register at least moderate gains.

From the oil industry few reports have been received and, while the third quarter ought to have been the best of the year on account of seasonal influences, actual results disprove it. Atlantic Refining Co. reports for the three months ended September 30, 1932, a net profit equivalent to 39 cents a share of common stock, compared with $1.02 a share in the preceding quarter and 46 cents a share in the third quarter of 1931. On the other hand, it is possible that the Standard Oil Co. of California will do materially better than the 30 cents a share reported for the June quarter, although the company's earnings in the third quarter of this year will hardly reach the 48 cents a share shown for the same period last year. Unfortunately, it must be admitted that the oil industry has lost some ground since its rapid improvement of early summer. The curtailment of production which was proving so successful in restoring the industry to a profitable basis became somewhat demoralized in the face of a sharp drop in consumption brought about by the public's loss of purchasing power. Now that we are entering the period of seasonally decreased consumption, the immediate outlook cannot be considered as bright as heretofore although by no means as unsatisfactory as a year or more ago.

While the reports for the third quarter varied somewhat in the case of the food specialty companies, the results show that this division of industry still possesses the quality of earning power under adverse conditions. National Biscuit reported 55 cents a share for the third quarter of the present year, compared with 61 cents a share in the preceding quarter and with 74 cents a share in the September quarter of last year; Loose-Wiles showed 23, 55 and 61 cents a share respectively; Corn Products 74 cents, 63 cents and 64 respectively; while Penick & Ford made a similar showing to that of its larger contemporary, the profits before federal taxes being $339,187, $143,826 and $208,491 respectively. Beech-Nut Packing is yet another company which is doing more than ordinarily well. Estimating Federal taxes, the company's net income was equivalent to $1.05 cents a share in the September quarter of this year, $1.10 in the preceding quarter, and $1 in the third quarter of last year. There is nothing in prospect for the fourth quarter which would disturb the manufacturers of trade-marked foodstuffs. On the other hand, a sharp increase in profits is unlikely and they will probably report earnings about equal to those of the third quarter.

The first impression given by industry's latest accounting is not a particularly heartening one. Red may be a bright color, but it loses its brilliancy in a profit and loss account. Yet, a second glance at these third quarter statements shows that quite a number of companies can still manage to glean a profit. A few even did better than in the preceding quarter and the third quarter of last year. But this is much less important than the fact that these statements in the aggregate give one the impression of progress in the war on depression. General business is known to have grown steadily worse from the beginning of the year through the second quarter and that any upturn in the third quarter was extremely slight. Despite this, losses have been cut in numerous cases, while in others the decrease in profits has been much smaller than would appear justified by the decline in business. There is, of course, still room for immense improvement and political uncertainties are likely to prevent much headway over the next month or two. No reason exists, however, for regarding the more distant future as other than more hopeful than heretofore.

What's Ahead of the Market?

(Continued from page 11)

a surprisingly good showing and are currently at the high of the year, the autumn peak having been extended several weeks beyond the comparable record in the several previous years. What now remains to be seen is the proportions of the seasonal recession in freight traffic normal in the closing weeks of the year.

On the whole, the picture does not accord with the rosy speculative hopes which the stock market was reflecting early in September, but then there is no reason for any realistic observer to think that it should. Sound and slow recovery is the most that can be expected. The recent action of commodity prices, in cancelling half of the rally from the year's lows, is a sobering factor. It accords with the reasonable expectation that dynamic price recovery will not give us an easy road to prosperity.

No such recovery, however, is necessary. The major need is for an adjustment of the entire business structure to a new level of normalcy. That is not possible as long as commodity values are steadily crumbling. It becomes possible when stability is established. Accordingly, the current evidence that deflation has been checked and the prospect that the commodity trend henceforth will be no worse than lateral constitute a basically hopeful change.

Brooklyn Union Gas Co.

(Continued from page 41)

totaled $6,026,004, of which more than $2,000,000 was in cash or marketable securities at quoted values, while current liabilities were less than $1,000,000. If it were not for the unsettlement in both domestic and foreign trade, and a desire to further modernize plants, Monsanto would probably feel justified in paying out a large proportion of earnings to common stockholders. Business, however, will improve and the modernization of plant be completed. When this occurs, dividends are likely to grow even faster than earning power.

First National Stores, Inc.

Price—1932 High	Low	Recent	Div. $	Yield %
54¼	35	47	2.50	5.3

Working capital per share $11.85

Latest earnings per share (1st quarter ended 7/2/32) $1.30

FIRST NATIONAL STORES is the fourth largest grocery chain in the United States, and stands out as one of the few corporations which scarcely knows that there is a business depression. In fact per share earnings reached an all time peak of $4.83 during the fiscal year ended March 31, 1932. Not until the first quarter of the present fiscal year did earnings begin to compare unfavorably with the previous year's results, and even then the shrinkage amounted to less than 8%—a recession which might well be offset by operations during the remainder of the fiscal year, in view of the recovery in general business ac-

tivity which appears now to be under way.

The business was originally founded in 1895 by two brothers, named Ginter, who then operated two grocery stores in the vicinity of Boston. Of recent years the business has expanded rapidly. New stores have been added to the chain each year until, with the acquisition this July of 277 additional stores and markets, the company now operates over 2,800 units. Except for some 30 units in Westchester County, N. Y., the stores are all located in New England—a happy circumstance at the present time in view of the sharp upturn which has taken place in the textile industry.

The company's executives are all men of long and successful experience in the grocery, meat, and produce industries, and many of the directors are large stockholders. That both of these circumstances are guarantees of good management may be confirmed by the company's unusually efficient plan of operation. Distribution of merchandise to the company's numerous stores and markets is by motor truck from four large warehouses centrally located at Providence, East Hartford, and Bridgeport, Conn.; and at Somerville, just outside of Boston, Mass. The Somerville plant serves 1,600 stores, and also manufactures a number of the company's private brands which account for a third of total sales, and an even greater proportion of the profits. Nationally - advertised brands, upon which profits are always slender, account for another third of total sales. Close affiliation with local dairy farm organizations assures a continuous supply of fresh butter, milk, and eggs. Unlike many of the great chain store organizations, National Stores is encountering little embarrassment over the rent problem. Most of its stores are leased from independent owners at rentals based upon a percentage of sales, the average being about 2%. Leases run for short periods, with privilege of repeated renewals. This appears to be an ideal solution of the rent tangle, and promises to become so increasingly popular that it may entirely revolutionize the real estate business.

The company has only 50,000 shares of preferred stock, and a funded debt of $928,000 (reduced from $1,500,000 last year), ahead of the 812,000 shares of common, and is in very strong financial condition. With a current asset ratio of 3.1, cash and Governments alone stand at $4,780,000 compared with $1,070,000 four years ago. Since most of its property is rented, company's assets are unusually liquid; as may be appreciated from the fact that out of total assets of 28 millions, working capital alone accounts for 9½ mil-

lions. The common stock must thus be rated as an unusually attractive long pull investment around current levels, though naturally subject to fluctuations in the general stock market.

Stimulation of Bond Prices by Cheap Money Offset by Political Considerations

(*Continued from page* 29)

highest grade municipal securities and prices have advanced substantially in recent weeks. As yields have declined, slightly better demand has developed for "second-line" municipals also. New York City bonds have advanced briskly in response to the budget cuts demanded by financial interests.

The prospect for the gilt-edged municipals is favored not only by exceptionally low interest rates, but by a decided curtailment in the supply of new issues of merit. Throughout the country there is an insistent demand for economy in governmental expenditures and it is unlikely that new bond issues by cities and states commanding a high credit rating will keep pace with the normal growth of capital funds seeking safe investment. As to other classes of municipal issues, the factor of possible scarcity is far less important than are the more immediate uncertainties as to fundamental security in view of the great shrinkage in real estate valuations, upon which municipal credit is chiefly based.

What To Do With Insull Securities

(*Continued from page* 36)

system, and the prospects in the reorganization of the system, the position in the pyramid should be ascertained. It is probable that most of the operating company bonds and preferred stocks will remain undisturbed, and most will probably continue payment of interest or dividends provided earnings of the operating company are maintained. The market price of many of these issues reflects the difficulties of the parent company, but this should be no reason why the security should be sacrificed if its position is sound.

Among the intermediary holding companies, considerable reorganization will probably take place. The earnings under present conditions are too low to support these capitalizations and as recovery, if it does come, will prob-

ably be rather slow, readjustments must be made. The position of some of the more important issues of the Middle West system are given in the table which accompanies this article.

Intimate Letters of a Washington Journalist and His New York Broker

(Continued from page 21)

happen between now and November 8th. A week before the Maine election I bet on Hoover and just now I'm not so happy about it. The only thought that gives me hope is my public school education. I was taught that "The Democratic Party can always be depended upon at the last moment to snatch defeat from victory."

Our own business is extremely quiet again, and the net deficit is still covered with a carmine shellac. One of my broker friends in a temporary fit of insanity, opened two new branches, but the family doctor hopes he will regain consciousness soon.

Next time you write, spill some of the inside Washington gossip. I am dying to know what Gene Meyer mumbles to himself every time wheat makes a new low . . . . whether Barney Baruch is really responsible for the Democratic fluctuations of our stock market . . . . and most important, is it true that the G. O. P. is forcing Hoover to change to low collars? I hear that those high collars have lost Herbie more votes in the West than Mr. Carter has pills. Come up some week-end soon and sample my Johnnie Walker, right off the boat!

Affectionately,

PERRY.

P. S. I forgot the main purpose of my letter. Your account needs $1,500. Sorry, old man.

Is Europe Too Sick To Recover Soon?

(Continued from page 14)

difficulty of adjusting wages to rising living costs has given rise to considerable economic unrest in England and other countries.

So far, however, as actual distress is concerned Europe has not suffered so much from the depression as the United States. In proportion to population it has fewer unemployed. The unemployed have been dealt with more systematically and with less agitation. The cost of living has been so reduced that in many countries people are living better than in the preceding time of prosperity. Crops have been good this year, and in Germany, France and Italy they are the largest in many years. The fear of destructive revolutions has been dissipated. There is no longer any apprehension of the collapse of capitalism. The populace has found that it is in no danger of perishing at present, and it has been discovered that Europe has unsuspected reserves of purchasing power. The recovery from the war was more pronounced than was generally believed.

There are many signs that the extreme fever of economic nationalism is over. There is a growing understanding of the fact that everybody in Europe is at once a political national and a European economic citizen. The rush to trade restrictions was largely the automatic reflex of panic as well as a necessity of disturbed monetary relations. The hard process of the shrinkage of trade has brought about a trade equilibrium that will pave the way for exchange equilibrium. When international trade can be conducted again in an assured and orderly manner an expansion of mutual trade will be welcomed and the growing tendency to react against isolation will be strengthened. More trade will make for easier trade.

The Old World Hopes Anew

All observers report growing hopefulness in Europe. Having accommodated themselves to the worst and found that it is supportable, people of the old countries are now beginning to look forward and think of new goals of economic achievement. Europe has reached the bottom without collapse and without irreparable injury. It is now on firm ground. It can begin to rebuild. Fundamentally it has only suffered from the same causes of adversity as the United States. It did not climb so high in prosperity and they did not fall, relatively, so low in adversity. A little improvement in Europe will be more inspiring than the same amount here. Owing to its tighter social and economic organization it will be able to spread out small gains more evenly than we. But the greatest cause of hope in Europe as well as in the United States is that the modern economic system, despite all its faults, has been able to withstand the greatest shock it has ever had without disintegration and with less human misery and degradation than in many previous periods of distress which were nowhere near so intense in severity. The world is suffering from the defects of its economic system, but the system

has proved itself superior in adversity, as well as in prosperity, to anything that has gone before it.

No, Europe is not dead or dying. Neither is the world. Both are coming back.

Answers to Inquiries

(*Continued from page* 49)

year. The improved showing made during the current year, largely reflects the benefits derived from the strengthened statistical position of the oil industry as a whole, and improved price structure for gasoline. Fully realizing the importance of curtailing production, oil companies, as a group, have shown a greater tendency toward co-operation along these lines, than those of most industries. Of course, as a domestic producer, Barnsdall Corp. stands to benefit from the recently imposed tariff on oil imports. On the other hand, this favorable development has been somewhat offset by a declining trend of consumption of petroleum products. Thus, several of the important producers have reduced gasoline prices in certain sections of the country, a trend that may spread to other sections, thereby restricting earnings outlook during the balance of the current year. Nevertheless, Barnsdall Corp. in recent years has concentrated its activity in strengthening its position in the petroleum industry, and now ranks as one of the prominent fully integrated independent units. Consequently, the company is in a position to reflect general recovery of the petroleum industry. At current prices, the common stock is well deflated and retention of present holdings is advocated as a speculative medium for representation in the oil industry.

GENERAL RAILWAY SIGNAL CO.

Are there any new developments in the outlook for General Railway Signal? It would seem to me that with no great change in the outlook for the rails there can't be much improvement in the business for this company. Would you advise me to sell my holdings purchased at about 25?

In comparison with other companies engaged in the railroad equipment field, operating results of General Railway Signal Co. during the current depression, have been maintained at favorable levels. The deficit incurred from operations during the initial quarter of 1932 was more than offset in the second quarter by profits of $232,682 or 62 cents a share on the common stock after allowing for preferred dividend requirements, thus enabling the company to show profits of $215,875 or 46 cents a share on the common stock for the six months ended June 30, last. Net income for the initial half of 1931, amounted to $752,390 or $2.10 a common share after dividends on the 6% preferred stock. Although full 1932 returns are somewhat difficult to accurately forecast, recent dividend payment of 25 cents a share indicates that earnings should approximate $1 a share for the full calendar year. There is every reason to believe that the strong current position of the company in evidence at the close of 1931 has been maintained. At that time, current assets amounted to $6,966,216 of which $2,050,496 consisted of cash and marketable securities against total current liabilities of $1,596,785. General Railway Signal Co. has long been identified as one of the leading units in the manufacture of railway signal and safety devices, the company prior to 1924 having confined its activities chiefly to supplying electric block signals and interlocking systems and apparatus, although in later years it has developed a patented system of switch and signal operation and train control. In view of the company's dependence upon the railroad industry for its business, earnings improvement must necessarily await general recovery in that field, a factor that is not in early pros-

pect. Nevertheless, the company stands to benefit substantially from increased activity on the part of railroads. Admittedly, the common stock must be regarded as speculative in character, but retention of present holdings is justified on the basis that current prices amply discount the restricted medium term outlook for the company.

GENERAL MILLS, INC.

I am holding 200 General Mills purchased well above present levels, in view of the present showing of this company and its outlook I believe it would pay me to average down my cost. I would like your opinion whether to buy at this time.

It is generally conceded that the past two years has proven a favorable opportunity to test the stability of a business. Few companies, and we might say industries, have been able to maintain earnings on as satisfactory basis as General Mills, Inc. As a matter of fact, General Mills recorded an increase in net profits available for dividends on the preferred and common stocks, a feat that attests to the aggressiveness of its management. For the 12 months ended May 31, 1932, net income amounted to $3,891,200, equal after dividends on the 6% preferred stock to $3.93 a share on 639,525 no par shares of common stock outstanding. This compared with net of $3,869,665 or $3.71 a share on a slightly larger number of common shares outstanding in the preceding fiscal year. Moreover, financial condition of the company was improved during the year; total current assets as of May 31, last, amounted to $29,433,301 including $9,647,270 cash and United States Treasury Certificates, against total current liabilities of only $4,377,219. Contributing largely to its favorable showing has been the absence of inventory write-offs. In common with other large milling concerns, General Mills refrains from speculating in wheat, and uses the futures market for actual hedging only. Thus, the income account is independent of the fluctuations in wheat, affording a high degree of stability in periods such as the past two years. "Wheaties" and "Bisquick," products introduced by General Mills during the last fiscal year have been favorably received by the public and give promise of being impotant revenue producers for the company. "Gold Medal" flour still maintains a leading position, while "Softasilk," a cake flour, enjoys a favorable competitive position. Recently General Mills introduced "Fermasured" flour, the product of a new and exclusive process for treating the soft lower priced southwestern wheat to give the flour the same characteristics as that made from the higher priced hard northern wheat. Success of this new process will also prove an important source of earnings for the company. We maintain a favorable attitude toward the shares of General Mills and favor accumulation during periods of market weakness for income and price appreciation over the longer term.

PENICK & FORD, LTD.

I am holding 250 shares of Penick & Ford, Ltd., which I purchased two years ago at levels higher than the current quotation. I have disposed of a number of my holdings of various issues during the past two years, but have held Penick & Ford as I have been informed that the company's outlook is favorable and that the dividend appears secure. I would appreciate your advice on the matter.

Since formation in 1920, Penick & Ford, Ltd., has made far greater progress than even its earnings record would indicate, due to its highly conservative bookkeeping methods. The company not only markets its production in bulk, but also in trade-marked package form, under such well known labels as "Brer Rabbit," "Penick" and "Vermont Maid." The development of the package business was undertaken in order to offset the susceptibility of the bulk business to the dangers of widely fluctuating raw material prices and it now comprises about one-third of the total business. Chief products of the company are syrup, sugar, starch, feed, oil, etc., but the company also produces and packs molasses, maple and cane syrups. The astuteness of the management in developing the packaged business is clearly brought to light as this brand has provided a steady back-log of earning power during the depression.

For the nine months which ended September 30, 1932, profits totaled $658,846, before Federal taxes, against $840,355 in the first three quarters of 1931. Report for the third quarter of the current year, however, showed earnings of $339,187, compared with $143,826 in the preceding quarter and $208,491 in the September quarter of 1931. This increase in earnings in the third quarter of 1932 likely was the result of increased activity in the textile industry, which employs corn starch in its operations. The company earned $2.50 a share in 1931, and per-share earnings in the first nine months of the current year were $1.65, as against $1.98 in the first three quarters of 1931. The company pays an annual dividend of $1 and in view of the fact that earnings in the first nine months covered this amount by more than one and one-half times, it is possible that the usual 50-cent extra at the close of the year will be paid. Capitalization is conservative comprising but 400,000 shares of common stock of no par value. The increase in earnings in the third quarter of the current year as a result of increased activity in the textile industry, is an indication of what might be expected from improvement in operations of the other main consuming industries. In view of the fact that you likely have held the stock through what appears to have been the worst of the situation, we see no reason for disturbing your commitment at this time, as we believe the stock offers interesting longer term speculative possibilities.

GENERAL ELECTRIC CORP.

I am a little disturbed by the rather disappointing earnings statement published by General Electric Corp., covering the first nine months of this year. Will you be good enough to render your opinion relative to the prospects of this company and whether I should maintain my present holdings of 100 shares, purchased at prices slightly above those now being quoted?

The fact that General Electric Corp. has been able to keep out of the "red" thus far during the depression, speaks well for its management. Obviously, when consideration is given to the trying times existing during the current year, the decline in earnings registered during the first nine months was not unexpected. For the quarter ended September 30, last, profits amounted to $2,716,967, equal to 7 cents a share on the common stock, which compares with $3,788,278 or 11 cents a share for the preceding quarter and $9,873,879 or 32 cents a share for the September quarter of 1931. Returns for the nine months ended September 30, 1932, amounted to $11,657,668, equal after dividends on the special stock, to 34 cents a common share, against $32,685,100 or $1.07 a share for the first nine months of last year. Present indications are that full 1932 returns should cover cur-

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Sugar Refining	Pfd. & Com. Divs.	11-9
Amer. Tel. & Tel. Co.	Common Div.	11-16
Amer. Tobacco Co.	Com. & Cl. B Divs.	10-26
Atlantic Refining Co.	Common Div.	11-10
Beech-Nut Packing Co.	Common Div.	11-18
Brown Shoe Co.	Common Div.	11-1
Chesapeake Corp.	Directors	11-15
Chesapeake & Ohio Ry.	Common Div.	11-15
Coca-Cola Co.	Common Div.	10-24
Consol. Gas Co. of N. Y.	Common Div.	10-27
Delaware & Hudson Co.	Common Div.	10-26
Drug, Inc.	Common Div.	11-2
Eastman Kodak Co.	Pfd. & Com. Div.	11-9
Federal Light & Trac.	Pfd. & Com. Div.	11-2
International Harvester	Common Div.	11-17
National Sugar Ref. Co.	Directors	11-9
Purity Bakeries Corp.	Common Div.	11-1
Socony Vacuum Corp.	Common Div.	11-7
Texas Gulf Sulphur	Directors	11-17

rent annual dividend rate of 40 cents a share by a slight margin. Recently, the company has taken to the air, via the radio, in an effort to bolster sales of its household products. Moreover, the recently introduced oil-fire domestic furnace, used in connection with the air-conditioning equipment, now in the process of development, is expected to be an important revenue producer for General Electric. When consideration is given to the broad scope of its operations, General Electric is in a favorable position to reflect general business recovery as it appears in evidence.

Furthermore, the financial condition is exceptionally strong, which should enable the company to weather an extended period of curtailed business activity with little difficulty, and we feel that further retention on a strictly long-term basis is justified.

WILLIAM WRIGLEY, JR., CO.

I am somewhat concerned to note a very sharp falling off in the earnings of William Wrigley, Jr., Co. in the third quarter. I hold 100 shares of this stock and the dividends are very important to me at this time. Do you feel there is likely to be any reduction in the present $3 annual payment? Do you think it will be advisable for me to dispose of all or part of my holdings?

The aggressive advertising and merchandising policies which have been characteristic of William Wrigley, Jr., Co. for a long period of years have gained for this company the distinction of being the world's leading manufacturer of chewing gum. By virtue of a relatively simple manufacturing process and the low unit cost at which they are retailed, the company has been more successful than the average industrial enterprise in combating the adversities of depression. Considering the duration and severity of the business depression we consider the earnings record of Wrigley in the current year to be quite satisfactory. While there is no gainsaying that earnings equivalent to only 86 cents per share in the three months ended September 30, last, do not compare favorably with the $1.51 a share earned in the same quarter of 1931, we would point out that this quarter is normally less profitable and there appears to be no reason for assuming that the final quarter of the year will not produce sufficient profits to provide earnings for the full year in excess of the $3 dividend. You will recall that earlier this year that dividends were reduced to the present rate and unless earnings experience a more precipitate decline than appears likely, we do not feel that you need be unduly concerned with regard to the income from this commitment. Financial position of the company is excellent and as of August 31, last, current assets were more than ten times current liabilities. On the whole, therefore, we regard the issue as a more dependable income-producing medium than the average common stock today and we see no particular necessity for withdrawing from this situation at this time.

Readers' Forum

(*Continued from page* 47)

after the Civil War than after the War of 1812, which leads to a very logical assumption that the decline after the World War is going to be greater than either of the other declines and the probable reason for these increasing declines is the fact that our lives are becoming more specialized and complicated, making the ability to barter practically impossible.

While upward reactions are to be expected during a depression because of the fact that some commodities and prices drop too fast, the fact remains that they are simply reactions and do not by any means signify the end of our trouble.

Now if we are to face the grim realities we will realize that declining prices and wages result in poor business, strikes, riots and bloodshed besides the poverty and suffering attendant upon such conditions.

It is ridiculous to assume that the Reconstruction Finance Corporation can accomplish anything worth while for the reasons, first: The maintaining of credit by loans to banks and railroad companies accomplishes no active result, and second: The amount involved in public works is so small compared to our national income that the idea it will bring back business is silly.

It is foolish to expect business men to have confidence in the future and to go ahead and buy materials for this certainly could result in their going bankrupt.

If our fundamental financial system had been changed it might be reasonable to assume that things would be different today than they were in the past, but the laws which govern business are exactly the same today as they have been the last one hundred years or more.

Why should we accept stocially the hard times the future has in store for us? Is unemployment a natural thing or is it natural for men to work when they want to? Isn't this country entitled to all the goods its people can produce? Isn't everyone entitled to sell his services?

The fundamental trouble with our economic system today is that we refuse to accept the services of our fellowmen.

We must accept their services but this does not imply that we must take ten loaves of bread where we only want one, but that they must find something we want and we must help them to find it.

There is only one thing which will give the government the control of this situation and allow it to accomplish the ending of forced unemployment and poverty and that is taxing currency. A law must be passed recalling all currency on a specified date each year at which time the holder of the old dollar receives ninety or ninety-five cents of a new currency issue.

In order to eliminate and avoid the trouble of bonds, etc., payable in gold, it will be necessary to abandon free coinage but to continue to maintain the price of gold until business gets on its feet, for if we let the price of gold drop we will be flooded with cheap goods from abroad. Let the government sell any gold for which a price above par is offered but let it be understood that gold dollars are no longer legal tender but are simply reserved to redeem the gold bonds.

If you understand this matter please spread this idea but if not a word from you will bring a clearer explanation, for it is very necessary that something be done as soon as possible for this reaction will soon peter out and we will be in the midst of another price decline which will carry us further down the scale.—ROBT. S. ASPINWALL, Detroit, Mich.

In Praise of Realism

EDITOR, READERS' FORUM:

In Mr. Miller's articles, "How Far Can This Market Go?" and the two previous ones, I admire your courage in stating the truth about business conditions and exposing the ballyhoo of the present government. In these days of newspaper, magazine and radio prosperity propaganda, it is refreshing to find a magazine that dares to state the realities. Is it not true that the present government is sitting in on the gambling game and directly and indirectly through pools, the Federal Reserve and financiers like Mellon, raising the markets to an unsound level against the real trend of business?

To thinking people, the most disgusting development of the depression is this pseudo-prosperity the politicians are staging in order to be elected in November. It is too bad that all this inflation and ballyhooing was not attempted a year or more ago before the country was economically prostrated

and people lost homes, farms, savings, bonds and stocks because of a blundering and inefficient government. The fact that the politicians waited until three months before election to wage their offensive against the depression should make the people of this nation lose their faith in the integrity and honesty of the Government. What guarantee of sincerity and real effort can the voters have after the incentive of election is removed? After November are we to have the same old laissez-faire method of dealing with the depression and a disastrous relapse from the present boom in the market?

It is a pity that the public has such little "print resistance," but believes everything in the way of trumped-up prosperity published by the press. We will ever be the victims of managed depressions and inflations and robbed by high government crimes in finance and extravagance as long as we are so easily propagandized. — FLORENCE MCCLAY, Pasadena, Calif.

The Real Burden on Business

EDITOR, READERS' FORUM:

An editorial recently in the *Pittsburgh Press* commented favorably on an article in your magazine, and I wish to congratulate you for your statements of the business situation.

"Little or nothing is being done to create markets for the production which is being encouraged. No substantial recovery from the depression nor any lasting revival of business profits is conceivable unless we attain a broad distribution of wealth. In any general and enduring prosperity a great majority of people must be participants."

Perhaps I hit along similar thoughts. Of course, it is difficult to have some business people see right lines, but eventually, they must learn or give way.

Keep up your pushing and pounding on policies that will prevent the spreading of "isms" in this country, and on the other hand, stop that everlasting talk of some people for co-ordinating, concentrating and controlling.

The real hard load on commerce is supporting the governmental expense of some 15 billion dollars annually, and our commerce this year will be under 60 billions.—A. DALE MCMILLAN, Pittsburgh, Pa.

Moratorium to Regret

Editor, READERS' FORUM:

I've just read your "A Moratorium to Regret" in your October 1 issue.

I like it very much and think you would help many people as well as your Magazine if you would have it reprinted on a card or a folder for distribution either through your subscribers or otherwise.—B. E. ADAMS, New York, N. Y.

Buying On Red Ink

(*Continued from page* 38)

there is much to be said for buying into companies in the "red" in order to sell in the "black," it is not, of course, a rule that can be followed over-enthusiastically. Should one decide to take an interest in a company losing money, it should be done on a scale well within the individual's means. More important still, it should be done with every regard for ultimate survival. But if these factors are given the attention they deserve, it is undoubtedly a method of speculation which will prove much more profitable than the widely followed one of buying in the "black" only to sell in the "red."

In the Next Issue

What to Do With Foreign Bonds in Default

BY DR. MAX WINKLER

If Beer Comes Back—

What Companies Will Be Benefited? What Companies Will Be Injured?

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	Low	Recent Price
Alum. Co. of Amer.	90	22	56
Amer. Cit. P. & L. B	8½	⅝	4⅜
Amer. Cyanamid B	8½	1⅝	4⅛
Amer. Founders	2⅞	¼	1¼
Amer. Gas & Elec. (1)	41⅞	14½	28¾
Amer. Lt. & Traction (2½)	24¾	10	18½
Amer. Superpower	10⅛	1⅛	5¼
Assoc. Gas Elec. "A" (Stk. 5%)	5⅛	⅝	2⅛
Brazil T. L. & P.	13⅜	7	8½
Central States El.	6⅜	½	3⅛
Cities Service	6⅞	1¼	3⅜
Cities Service Pfd	53⅜	10	20
Commonwealth Edison (5)	122	49¼	73½
Crown Cork Inter. A	3⅜	1¼	3⅛
Commonwealth & So. War.	1	3/16	9/16
Creole Petroleum	3⅛	1¾	2⅝
Cord Corp.	8⅞	2	4⅜
Deere & Co.	18⅝	3½	11
Detroit Aircraft	⅝	⅛	3/16
Elec. Bond & Share (6% stk.)	48	5	26¼
Elec. Bond & Share Pfd. (6)	67	19	48⅛
Federated Metals	17⅞	4	17⅞
Fisk Rubber w. i.	3¾	2¼	2½
Ford Motor, Ltd.	6⅛	2½	4⅛

Name and Dividend	1932 Price Range High	Low	Recent Price
Glen Alden Coal	23⅛	6	12¼
Goldman Sachs T.	5	1	3
Gt. A. & P. Tea N. V. (6½)	168	103¼	145
Gulf Oil of Pa.	44¾	23	30
Hecla Mining	5⅛	2	3¼
Int'l Petroleum (1)	12¼	8	10
Lone Star Gas (.64)	11	3⅜	7⅛
Nat. Aviation	6⅝	2¾	5⅜
Natl. Bellas Hess	2⅜	1⅝	1¾
Newmont Mining	28⅞	4⅝	15¼
N. Y. Telephone Pfd. (6½)	115½	98	114½
Niagara Hudson Pwr. (New) (1.20)	20	7⅞	15
Penroad Corp.	4⅜	1	2
St. Regis Paper	8⅜	1⅛	4
Safety Car H. & L.	40	12¾	25
Sherwin-Williams (2)	34½	20	22
Standard Oil of Ind. (1)	25⅛	13⅛	22½
Standard Oil of Ky. (1.20)	15⅞	8⅞	11⅛
Swift & Co.	18⅞	7	8⅛
Swift Int'l (4)	28	10	18⅛
United Founders	3⅛	5/16	1⅜
United Gas Corp.	4¾	⅝	2⅝
United Lt. & Pow. A	9¼	1¾	5
Do Pfd.	53⅝	8¼	19¾

RECENT rallying tendencies on the Curb Exchange have at this writing apparently proven abortive and trading interest has turned to the possibility that the October lows may soon be tested. Despite an interruption provided by two technical rallies in the last month, the general pattern of the movement indicates an underlying downtrend since early September.

The market is exceptionally dull, however, and neither in rally nor reaction shows any ability to attract a public interest. Under the circumstances professional speculators are hard put to it to whip up any semblance of activity or substantial price movement. The recent rally has rested largely upon the usual inclination of such traders to follow the immediate line of least resistance.

Public Interest Small

Thanks to the absence of any real volume of outside liquidation and to the presence of a none too strong short interest, operations for the rise were conducted with fair success for approximately a week, only to meet with sudden collapse when professionals attempted to sell out to each other. Such a market is interesting only because it demonstrates the swiftness and violence of trading swings which rest upon nothing but professional experimentation.

The current trading offers few individual features of interest. Indeed, approximately one-third of the total activity is accounted for by speculation in the ever-popular Electric Bond & Share. This has come to be virtually the only issue on the Curb in which traders can deal in sizable lots and which offers a fairly wide daily range of fluctuation.

Awaiting Election

In so desultory a game of in-and-out speculation, there is nothing to throw significant light on the prospect of coming weeks. Outsiders have little or no inducement to risk commitments, either long or short. Buyers are naturally inclined to sit upon the fence while awaiting the result of the national election, even though there is little reason to expect that this will be a vital influence upon the price trend. The short side of the market has lost much of its attraction, not only because of the official restrictions which have been thrown around the practice, but because outside liquidation is light and the average price level is rather low for comfortable bearish operations.

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (14)	315	335
Bankers (3)	67	69
Brooklyn (10)	187	202
Central Hanover (7)	139	143
Chase (2)	36¾	38¾
Chemical (1.80)	36	38
City (2)	46	48
Corn Exchange (4)	74	77
Empire (1.60)	25¾	27¾
First National (100)	1530	1580
Guaranty (20)	315	320
Irving Trust (1.60)	24⅛	26⅛
Manhattan Co. (2)	33¼	35¼
Manufacturers (2)	29⅞	31⅞
New York (5)	94½	97½
Public (2)	32⅜	34⅜
United States Trust (60)	1480	1580

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (2)	30½	32½
Aetna Life	16	18
Carolina	12¼	14¼
Continental	7	9
Glens Falls (1.60)	28½	30½
Globe & Rutgers	95	115
Great American (1)	12½	14
Hanover (1.60)	23½	25½
Hartford Fire (2)	38	40
Home (1)	15⅛	16⅝
National Fire (2)	36¾	38¾
North River (.60)	10½	12½
Stuyvesant	8	12

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Travelers (22)	360	375
United States Fire (1.20)	17½	19½
Westchester (.25)	13	15

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
Bond & Mtg. (3.20)	23	26
Lawyers Mortgage (.80)	9	11
National Surety	9½	10

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	1	3
Dallas	4½	8½
Des Moines	1	..
First Carolina	⅛	..
Lincoln	1¼	..
Southern Minnesota	..	..
Virginia	¼	⅛

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 6% Pfd.	15	22
Do 7% Pfd.	15	22
Diversified Trustees Shares A	7½	..
Do Series B	5¾	..
Fixed Trust Shares A	6¼	..
Interl. Sec. Corp. of Amer., Pfd.	10	15
Do Cum. Pfd.	10	15
No. Amer. Trust Shares	1.82	..
Second Intl. Securities A	1	3
Do 6% Pfd.	16½	26½
U. S. & British Internl. Pfd.	7	14
Uselps Voting Shares	9⅛	9⅝

BANK stocks have followed other markets in moderate reaction recently and most issues are substantially under the highest quotations established in September. The current price level, however, remains well above the summer lows and the dullness of the market, if reflecting lack of enthusiastic demand, also reflects absence of any important volume of liquidation.

Since the bond market, stock market and most commodity markets have been in a generally reactionary trend for a period of weeks, financial attention naturally turns to conjecture as to the possibility of a general test of last summer's price line. Few observers would be willing to hazard a prediction as to listed stocks, but there is considerable reason for confidence that the underlying deflationary trend of commodities has been definitely broken and that at least the major part of the improvement in our financial position will be retained.

If this is the case, there will be no reason for either the bond market or the market for bank and insurance stocks even closely to approach former depression lows. The banks generally do not yet have clear sailing. New York City institutions in particular are piling up excess reserves and finding it difficult to employ their resources with profitable safety.

Money rates have fallen to the lowest levels ever known, with the result that short-term collateral loans and short term investments, especially in United States Government obligations, yield only a trifling return. There is little expansion in the more profitable business loans, safe commercial risks being limited by continued business stagnation.

The difficulty which the banks are having in making profits, however, has an offset of great importance. It has been possible for the strongest banks to earn operating profits throughout the depression. Write-offs for losses and contingencies have been the fly in the ointment. Due to general improvement in all markets, these deductions have been greatly lowered, if not in some cases getting back to what may be regarded as normal. Thus, the basic turn in the financial situation is a definitely favorable long-term factor for bank stocks. They should be able to return to a satisfactory profit margin somewhat in advance of general business.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of THE MAGAZINE OF WALL STREET, published every two weeks at New York, N. Y., for October 1, 1932.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. Kenneth Burger, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of The Magazine of Wall Street, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, C. G. Wyckoff, 90 Broad St., New York, N. Y.

Editor, none.

Managing Editor, E. Kenneth Burger, 90 Broad St., New York, N. Y.

Business Manager, F. R. Donovan, 90 Broad St., New York, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member must be given.)

The Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y.

C. G. Wyckoff, Inc. (stockholder), 90 Broad St., New York, N. Y., the stockholders of which are C. G. Wyckoff, 90 Broad St., New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

R. D. Wyckoff (bondholder), Greenwood Lake, N. Y.; C. G. Wyckoff, Inc. (bondholder), 90 Broad St., New York, N. Y., the stockholders of which are C. G. Wyckoff, 90 Broad St., New York, N. Y.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is— (This information is required from daily publications only.)

E. KENNETH BURGER,
Managing Editor.

Sworn to and subscribed before me this 27th day of September, 1932.

[Seal] RALPH J. SCHOONMAKER,
Notary Public Westchester Co., Cert. Filed, N. Y. Co. No. 1387, Reg. No. 38885.
(Commission expires March 30th, 1933.)

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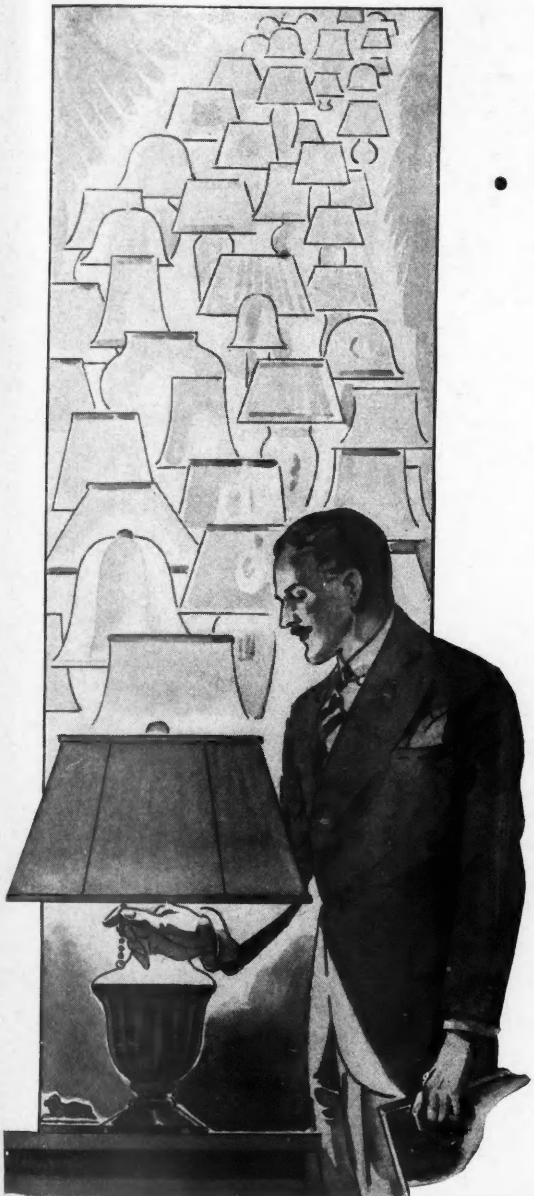

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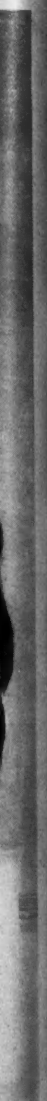

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